

CHESAPEAKE APPALACHIA, LLC 173-28

**BEFORE THE OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF WEST VIRGINIA**

IN THE MATTER OF THE APPLICATION OF CHESAPEAKE)	
APPALACHIA, L. L. C. FOR AN ORDER FROM THE)	
COMMISSION POOLING TRACTS AND INTERESTS OF)	DOCKET NO. 173
OIL AND GAS OWNERS IN THE ABSENCE OF A VOLUNTARY)	
AGREEMENT FOR THE DEVELOPMENT AND OPERATION)	
OF UNIT BLOCK 107 IN THE TUSCARORA SANDSTONE)	CAUSE NO. 28
POOL OF THE INDIAN CREEK FIELD, MALDEN DISTRICT,)	
KANAWHA COUNTY, WEST VIRGINIA, PURSUANT)	
TO <u>WEST VIRGINIA CODE 22C-9-7(b)</u> , AS AMENDED.)	

REPORT OF THE COMMISSION

This cause came before the Commission on October 12, 2006, at 1:00 p.m., at the Office of the Department of Environmental Protection, 601 – 57th Street, Charleston, West Virginia, after giving notice of hearing as required by law, on the Application of Chesapeake Appalachia, L. L. C. ("Applicant") for an order from the Commission pooling unleased tracts and interests of operators in the absence of a voluntary agreement for the development and operation of Unit Block 107 in the Tuscarora Sandstone Pool of the Indian Creek Field, Malden District, Kanawha County, West Virginia.

FINDINGS OF FACT

1. The application was submitted under the provisions of §22C-9-7(b) of the Code of West Virginia, as amended, and the applicable rules of Practice and Procedure of this Commission.

2. An Order establishing Special Field Rules was issued by the Commission on August 29, 1979, for the Tuscarora Sandstone Pool of the Indian Creek Field, Malden and Elk Districts, Kanawha County, West Virginia.

3. From the evidence and testimony introduced in the hearing, it appears and the Commission hereby finds:

- (a) Applicant has obtained Lease Agreements with voluntary pooling provisions representing approximately 88% of the oil and gas interests in Unit Block 107.
- (b) Applicant has made reasonable efforts to obtain leases or lease modifications (to add pooling rights) from the remaining oil and gas interest owners in Unit Block 107, but has been unable to do so.
- (c) The interests of all unleased owners of oil and gas interests or leased owners with no pooling provisions are shown in Exhibit A to this Order.
- (d) Applicant proposes to act as operator for the development of Unit Block 107 and is unaware of any other interested person who proposed to act as operator.
- (e) No other operator or royalty owner made an appearance at the hearing.

- (f) Applicant estimates the dry hole and completion costs for the proposed well in Unit Block 107 (Well No. 825550) is \$603,457 and \$432,670, respectively.
- (g) In the absence of the pooling order and designation of Applicant as operator, the oil and gas within the Tuscarora Formation underlying tracts within drilling Unit Block 107 may not be produced and developed.

CONCLUSION OF LAW

1. Due notice of the time, place and purpose of the hearing has been given as required by law.
2. Pursuant to West Virginia Code §22C-9-7, as amended, the Commission has jurisdiction over the subject matter embraced in said notice, and the persons interested therein, and jurisdiction to promulgate the hereinafter-prescribed Order.
3. That Applicant is an operator within the meaning of West Virginia Code §22C-9-2(a)(4), and as such has standing to make the application which is the subject of this hearing.
4. That the granting of this application will prevent waste of oil and gas resources and will protect the correlative rights of all persons having an interest in oil and gas underlying Unit Block 107.

ORDER

It is hereby ORDERED that the unleased interests in the Tuscarora Sandstone, Indian Creek Field, Malden District, Kanawha County, West Virginia, underlying Unit Block 107 of said field be pooled under the following terms and conditions:

1. Applicant, Chesapeake Appalachia, L. L. C., is designated Operator of Unit Block 107 and is authorized to drill a well on said block, subject to securing an appropriate Drilling Permit from the Division of Oil and Gas.
2. All persons on Exhibit A are deemed to be an operator as defined in West Virginia Code §22C-9-2(a)(4) as to any unleased interest and may elect to participate in the development of Unit Block 107 as authorized by law, by submitting in writing to Applicant and the Commissioner their election to participate within ten (10) days from the date of this Order. Such election shall obligate said persons to pay their share, calculated on the net oil and gas acreage in the unit, of all reasonable costs and expenses of drilling, completing, equipping, operating and plugging the well, including reasonable charges of the Applicant for supervision of the operation of the well. Any operator not wishing to participate in the risk and cost of drilling may elect to:
 - (a) Surrender his interest to the designated operator, Chesapeake Appalachia, L. L. C., on a reasonable basis and for a reasonable consideration by notifying Applicant and the Commissioner, in writing, within ten (10) days of the date of this Order, of his election to surrender. If an electing owner and the designated operator cannot reach such an agreement as to the basis and consideration for such surrender, the Commissioner will, upon written application, conduct further hearings herein to determine the same.
 - (b) Participate on a carried basis, as described in West Virginia Code §22C-9-7(b)(5)(B), by notifying the Applicant and the Commissioner, in writing, within ten (10) days of his election to participate on a carried basis.

- (c) Any operator who fails to notify the Applicant and the Commissioner of his election under Sections (a) and (b) of Paragraph 2 above, as required, shall, pursuant to the Commission's authority to prevent waste and protect correlative rights, be deemed to have elected to participate on a carried basis as set forth in option (b) above.

3. Persons identified in Exhibit A are royalty owners joined in Unit Block 107 pursuant to this Order and are entitled to their proportionate share of royalty in accordance with the terms of their respective leases or, as defined in §22C-9-2(a)(5) of the West Virginia Code, are unleased royalty owners and are entitled to their proportionate share of one-eighth (1/8) royalty of production as Ordered in the amendment to Order No. 1 dated August 29, 1979.

4. All royalties hereunder shall be paid on the basis of the proportion that their net oil and gas acreage within the unit bears to the total acreage within the unit.

5. All proceeds due oil and gas owners who are unknown or unlocatable shall be placed in a suspense account by Applicant.

6. This Order shall not operate to prevent unleased owners of interests in oil and gas within Unit Block 107 from hereafter leasing or otherwise assigning or conveying said interest to Applicant.

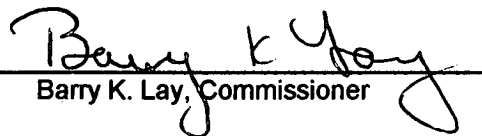
7. Applicant will submit to the Commission a final accounting showing the actual drilling and completion costs for Well No. 825550 within 30 days after all such costs have been received and determined by Applicant.

The Commission further incorporates the Report of the Commission and the Findings of Fact and the Conclusion of Law as a part of this Order.

IN THE NAME OF THE STATE OF WEST VIRGINIA:

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF WEST VIRGINIA

By:


Barry K. Lay, Commissioner

BEFORE THE OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF WEST VIRGINIA

IN THE MATTER OF THE REQUEST BY
CHESAPEAKE APPALACHIA, LLC
FOR AN ORDER FROM THE COMMISSION
POOLING TRACTS AND INTERESTS OF
OIL AND GAS OWNERS FOR THE
DEVELOPMENT AND OPERATION OF
UNIT BLOCK #107 IN THE TUSCARORA
SANDSTONE POOL OF THE INDIAN CREEK
FIELD, MALDEN DISTRICT, KANAWHA COUNTY,
WEST VIRGINIA.

DOCKET NO. 173

CAUSE NO. 28

ORIGINAL

Transcript of proceedings had and testimony adduced
at a hearing held in the aforementioned matter on
Thursday, the 12th day of October, 2006, beginning at 1:10
p.m., in the offices of the West Virginia Department of
Environmental Protection, 601 57th Street, S.E.,
Charleston, Kanawha County, West Virginia, before BRIAN K.
LAY, Commissioner.

ACCURATE REPORTING SERVICE, INC.
526 SEVENTH STREET
HUNTINGTON, WEST VIRGINIA 25701

(304) 345-9891 * (304) 522-9637 * (606) 329-2154

1 APPEARANCES: On behalf of the Commission:

2 BARRY K. LAY, Commission Chairman
3 Department of Environmental Protection
4 Oil and Gas Conservation Committee
5 601 57th Street
6 Charleston, West Virginia 25304

7 ANTHONY GUM, Commission Member
8 ROBERT L. RADABAUGH, Commission Member
9 JAMES MARTIN, OGCC
10 BRETT LOFLIN, OGCC Staff, Program Director

11 On behalf of the Applicant, Chesapeake
12 Appalachia, LLC:

13 ANTHONY A. WILHOIT, ESQUIRE
14 Chesapeake Appalachia, LLC
15 Post Office Box 6070
16 Charleston, West Virginia 25362-0070

17 APPLICANT WITNESSES: DX CX RDX RCX EXAM

18 Keith Moffatt 4 8 9
19 Ralph Parsons 10 15 15
20 Robert Paolini 16 19
21 Robert Schindler 20
22 Jeff Cable 22 24

23 EXHIBITS: MARKED

24 No. 1 - (Notice of Hearing with 4
Certified Receipt Cards Attached)
No. 2 - (Notice of Continuance) 4
No. 3 - (Affidavit of Publication) 4
No. 4 - (Unknown Interests) 4
No. 5 - (8/22/06 Letter from Chesapeake) 4
No. 6 - (Application) 4

Reporter's Certificate Page 29

1 COMMISSIONER LAY: Before the Oil and Gas
2 Conservation Commission of the State of West Virginia in
3 the matter of the request of Chesapeake Appalachia, LLC,
4 for an Order from the Commission pooling tracts and
5 interests of oil and gas owners for the development and
6 operations of unit block #107 in the Tuscarora Sandstone
7 pool of the Indian Creek Field, Malden District, Kanawha
8 County, West Virginia. This is Docket No. 173, Cause No.
9 28.

10 Let the record show that present are
11 members of the Commission, Anthony Gum, Bob Radabaugh,
12 Barry Lay, James Martin and members of staff, Brett
13 Loflin.

14 I'd like to place of record as Exhibit 1 a
15 copy of Notice of Hearing for September 14th, 2006, along
16 with the certified receipt cards collectively as Exhibit
17 1.

18 I'd like to place of record as Exhibit 2 a
19 copy of a Notice of Continuance granted until October the
20 12th, today.

21 Exhibit 3, the Affidavit of Publication.
22 Exhibit 4, a copy of the unknown
23 interests.

24 This becomes Exhibit 5, this letter from

1 Chesapeake, dated August 22nd, 2006 requesting a hearing.

2 And collectively as Exhibit 6 the
3 Application.

4 (Exhibits Nos. 1, 2, 3, 4, 5 & 6 were
5 subsequently marked for identification and are attached
6 hereto.)

7 At this time, the Commission will take
8 appearances.

9 MR. WILHOIT: Mr. Chairman, members of the
10 Commission, my name is Tony Wilhoit. I'm here on behalf
11 of the Applicant, Chesapeake Appalachia, LLC, and I have
12 brought witnesses to testify before this Commission, Mr.
13 Keith Moffatt, Mr. Ralph Parsons, Mr. Bob Paolini, Mr.
14 Robert Sinclair -- or Schindler, and Jeff Cable.

15 COMMISSIONER LAY: At this time, would the
16 court reporter please swear the witnesses?

17 (Witnesses sworn.)

18 COMMISSIONER LAY: You may proceed.

19 MR. WILHOIT: Thank you, Mr. Chairman.
20 We'd like to call the first witness being Mr. Keith
21 Moffatt.

22 KEITH MOFFATT, after having been first
23 previously duly sworn, was examined and testified as
24 follows:

1 DIRECT EXAMINATION

2 BY MR. WILHOIT:

3 Q. Mr. Moffatt, would you state your full name for
4 the record, please?

5 A. Keith Moffatt.

6 Q. How are you employed?

7 A. I'm an in-house attorney with Chesapeake
8 Appalachia.

9 Q. Are you familiar with the application that's
10 currently pending before this Board?

11 A. Yes, I am.

12 Q. And is the application filed pursuant to West
13 Virginia Code Chapter 22C, Article 9?

14 A. Yes, it is.

15 Q. And is Chesapeake Appalachia, LLC, an operator
16 within the meaning of the Code section?

17 A. Yes, it is.

18 Q. Are you familiar with any field rules that may
19 apply to this particular area that you're asking for the
20 order?

21 A. Yes. There are special field rules that apply
22 to this particular field, and I believe the order
23 establishing the field rules is dated August 29, 1979.

24 Q. All right. Do you know the size of the units

1 that have been formed by the special field rules?

2 A. Yes. The special field rules require drilling
3 units consisting of 640 acre units, and there is also a
4 spacing requirement which establishes that the well has to
5 be 1500 feet from the unit boundary lines.

6 Q. All right, sir. Now, the application is a
7 location for your well number 825550 in unit block #107.
8 Does the application for the permit contain a description
9 of the property, a plat showing where the well location is
10 proposed?

11 A. Yes, it does.

12 Q. Do you have copies of those plats attached to
13 the application?

14 A. Yes, sir, attached as Exhibits No. 1 and 2.

15 Q. All right, sir. And it's your testimony then
16 that this location that's depicted on Exhibits 1 and 2
17 comply with the special field rule requirements and the
18 spacing requirements of the Oil and Gas Conservation
19 Commission?

20 A. Yes, it does.

21 Q. All right, sir. To the best of your knowledge,
22 do you know of any other operator who desires to operate
23 in unit block #107?

24 A. No, I do not.

1 Q. Do you know of any other permitted deep well
2 locations within two miles of this proposed well?

3 A. No.

4 Q. Are you familiar then with the amount of
5 ownership that Chesapeake has in the block 107?

6 A. I know what the percentage of ownership is as of
7 the date the application was filed. I believe we have
8 testimony from other witnesses which will indicate there
9 have been changes in that number since the application was
10 filed.

11 Q. All right, sir. What was that number at the
12 time of application?

13 A. Eighty-eight percent.

14 Q. And that number has increased since the date of
15 the filing of it?

16 A. That is correct.

17 Q. All right, sir. Are you requesting then that
18 the Board or Commission enter an order designating the
19 applicant as the operator of unit block 107 and pooling
20 the interests and tracts of the owner of oil and gas
21 within this unit as depicted?

22 A. Yes, that's what Chesapeake is requesting.

23 Q. And will the granting of your application
24 foster, encourage and promote development, production,

1 utilization and conservation of oil and gas resources?

2 A. Yes, it will.

3 Q. Will it prohibit waste of oil and gas resources?

4 A. Yes, it will.

5 Q. Does it maximize, encourage the maximum recovery
6 of oil and gas?

7 A. Yes, it does.

8 Q. Does it interfere with any correlative rights of
9 any other operators, to the best of your knowledge?

10 A. No, it does not.

11 Q. And this order would not interfere with or alter
12 development of the spacing pattern of the total area
13 encompassed within the special field rules?

14 A. No, it would not.

15 MR. WILHOIT: That's all I have of this
16 witness.

17 COMMISSIONER LAY: Questions from members
18 of the Commission?

19 CROSS EXAMINATION

20 BY MR. RADABAUGH:

21 Q. Back to your second or third thing there toward
22 the end when you were talking about waste. Mr. Moffatt
23 was answering a question on waste, that it will promote
24 waste or will not promote waste?

1 MR. MOFFATT: It will not promote waste.

2 MR. WILHOIT: Prohibit waste.

3 MR. RADABAUH: Nothing further from me.

4 EXAMINATION

5 BY COMMISSIONER LAY:

6 Q. And you may not be the correct one, Mr. Moffatt,
7 to ask, but I have a difficult time -- the location itself
8 on Exhibit 1, is it depicted on tract 2?

9 A. Yes, it is.

10 Q. That is the location, it is located on tract 2?

11 A. That is correct.

12 Q. And to tract 2, we are not pooling any
13 individual on tract 2?

14 A. That's correct. The surface is owned by Posler,
15 which we do have the surface easement and consent and
16 Chesapeake owns the oil and gas underlying tract 2.

17 COMMISSIONER LAY: Marty?

18 MR. MARTIN: No questions.

19 COMMISSIONER LAY: Brett, any questions?

20 MR. LOFLIN: No questions.

21 COMMISSIONER LAY: You may call your next
22 witness.

23 MR. WILHOIT: Call Mr. Ralph Parsons.

24 RALPH PARSONS, after being first

1 previously duly sworn, was examined and testified as
2 follows:

3 DIRECT EXAMINATION

4 BY MR. WILHOIT:

5 Q. Mr. Parsons, would you state your full name for
6 the record, please?

7 A. Ralph Parsons, contract landman for Chesapeake.

8 Q. Mr. Parsons, are you familiar with this
9 application currently pending before this Commission?

10 A. Yes.

11 Q. And you are familiar with Exhibit No. 5 attached
12 to the application which is the Consent and Easement
13 Certificate?

14 A. Yes.

15 Q. Did you in fact acquire this Certificate of
16 Consent and Easement?

17 A. That's not --

18 Q. I'm sorry. Ralph, I'm sorry. I think I've got
19 the wrong set of questions for you.

20 A. Yes.

21 Q. In connection with this application, are you
22 familiar with the parties listed on Exhibit No. 6?

23 A. Yes.

24 Q. Okay. And these are the parties that at the

1 time of filing the application who were not pooled or
2 leased at that time; is that correct?

3 A. That's correct.

4 Q. Do you have information that you have gained
5 since that time establishing the parties who were unknown
6 at that time and unleased who are now known and leased?

7 A. Yes, I do. I also have a new listing they gave
8 me this morning which I did not have in my possession.

9 COMMISSIONER LAY: Can we clarify
10 something?

11 MR. WILHOIT: Okay.

12 COMMISSIONER LAY: This is Exhibit 6 of
13 the application, not exhibit 6 of --

14 MR. WILHOIT: Yeah, Exhibit 6 of the
15 application.

16 COMMISSIONER LAY: Okay.

17 BY MR. WILHOIT:

18 Q. Okay. With respect to tract number 1, are there
19 any changes in that?

20 A. That was Bob Paolini's tract.

21 Q. Okay. Tract number 5, are there any changes in
22 that?

23 A. I'm not -- not familiar with that one.

24 Q. Okay. Tract number 3 -- I mean, tract number

1 10?

2 A. That's the one I just have listed names and
3 addresses.

4 Q. Okay. That's the list that the Board, that the
5 Commission provided to you?

6 A. Excuse me?

7 Q. Is that the list that the Board provided to you
8 today?

9 A. Yes, that's correct, sir.

10 Q. And you'll take that listing and go try and
11 contact those people to offer them the --

12 A. Yes.

13 Q. -- opportunity to participate?

14 A. Yes.

15 Q. All right, sir. And tract number 15, are you
16 familiar with that tract; is that yours?

17 A. Yes. At the current time, all those are under
18 lease.

19 Q. They are what?

20 A. They are now under lease.

21 Q. Under lease, okay. So those parties are leased.
22 Tract 16, Mr. Woods?

23 A. Refused to lease.

24 Q. Okay. And he also owns an interest in tract 21

1 and tract 25 and has the same status on that one?

2 A. Yes, correct.

3 Q. So he remains on our list of respondents. Tract
4 17?

5 A. I'm not familiar with that one.

6 Q. Okay. Tract 18, is that yours?

7 A. Yes. I could not find any heirs after 1952 on
8 that party.

9 Q. And that would be tract 18 and 19; is that
10 correct?

11 A. That's correct.

12 Q. All right. What about tract 29, the Simpsons?

13 A. Refused. Contacted twice and refused to lease.

14 Q. Okay. And tract 39?

15 A. I have six out of the seven heirs currently in
16 the lease. The one left has been contacted by phone and
17 by mail.

18 Q. Do you have the name of that one person who
19 remains unleased?

20 A. Yes. Beverly Henderson.

21 Q. Okay. So we will be amending this on our order
22 to include Beverly Henderson as the only unleased person
23 in tract 39; is that correct?

24 A. That's correct.

1 Q. And you have attempted to contact her?

2 A. Yes.

3 Q. With respect to all these parties that you have
4 testified regarding, have you made a diligent effort to
5 contact those people who you have not been able to
6 contact?

7 A. Yes.

8 Q. What efforts have you used to try and contact
9 those people?

10 A. By mail and by phone.

11 Q. What sources have you used to try to identify --

12 A. Excuse me?

13 Q. What sort of sources have you used?

14 A. I also used the Internet trying to find the
15 heirs and deceased -- if they were deceased or not.

16 Q. Based on your experience as a professional, have
17 you, in your opinion, employed all methods known to you to
18 try to locate these people?

19 A. Yes.

20 Q. In fact, you have made a diligent effort?

21 A. Yes.

22 MR. WILHOIT: That's all I would have of
23 this witness.

24 COMMISSIONER LAY: Any questions?

1 CROSS EXAMINATION

2 BY MR. RADABAUGH:

3 Q. On the Internet and on the telephone, I assume
4 you did a lot of research, courthouse research?

5 A. Yes.

6 Q. Diligently?

7 A. Yes.

8 EXAMINATION

9 BY COMMISSIONER LAY:

10 Q. I think one of my questions is not a question,
11 but in fact a comment. The tract number 1 that the Board
12 supplied you -- or the Commission supplied you with an
13 address for a Kay Bell who is the heir of the unknown in
14 tract 1, Ernest and Loretta Clayton -- or Layton -- I'm
15 sorry?

16 A. I did not handle that particular tract.

17 MR. WILHOIT: That will be Mr. Paolini.

18 COMMISSIONER LAY: Okay. Sorry. I
19 thought he answered the question with regard to tract 1.
20 That's all the questions I have. Marty?

21 CROSS EXAMINATION

22 BY MR. MARTIN:

23 Q. I have one question. Did you testify that Mr.
24 and Mrs. Simpson on tract 29 would not lease?

1 A. Yes, I did.

2 Q. Should they show up on the list of -- perhaps I
3 don't have the right list -- owners of unleased interests?
4 I'm sorry. That was our mistake. I think it was our
5 lease.

6 COMMISSIONER LAY: Brett, any questions?

7 MR. LOFLIN: No, I don't have any
8 questions.

9 COMMISSIONER LAY: You may call your next
10 witness.

11 MR. WILHOIT: Mr. Bob Paolini.

12 MR. ROBERT PAOLINI, after being first
13 previously duly sworn, was examined and testified as
14 follows:

15 BY MR. WILHOIT:

16 Q. Would you state your full name for the record,
17 please?

18 A. Robert Paolini.

19 Q. And how are you employed, Mr. Paolini?

20 A. Senior landman for Chesapeake Appalachia.

21 Q. In connection with your work there, are you
22 familiar with the application currently pending before
23 this Commission?

24 A. Yes, I am.

1 Q. All right, sir. And you are in fact the person
2 who obtained the Certificate of Consent and Easement?

3 A. Yes, I did. That's correct.

4 Q. That's attached as Exhibit 5, correct?

5 A. That is correct.

6 Q. Also, you are familiar with some of the parties
7 listed on Exhibit 6 as unleased interests and --

8 A. Yes, sir.

9 Q. With respect to tract 1, is that one you worked
10 on?

11 A. Yes, it is.

12 Q. Is there any change in the list of owners as we
13 submitted with the application to date?

14 A. Not other than what I just found out today, the
15 list of names that the State provided, that's the only
16 change I know of.

17 Q. Okay. That's the one that we were provided with
18 today by the Commission, Ms. Kay Bell?

19 A. Yes.

20 Q. And you will attempt to contact her and offer
21 her an opportunity to participate?

22 A. Absolutely, yes.

23 Q. But she does remain an unleased interest; is
24 that correct?

1 A. Right.

2 Q. Well, let me correct that. The Laytons are --
3 they do have a lease, right?

4 A. Yeah. It's the CO₂ modification agreement we
5 need from them.

6 Q. The CO₂ is not leased?

7 A. Right.

8 Q. Make sure the Board understands the CO₂ is not
9 leased. That remains unleased. Now, with respect to
10 tract number 5, was that also your project?

11 A. Yes, it is.

12 Q. Is there any change in status on that?

13 A. No.

14 Q. There are still unleased interests?

15 A. It's an unleased interest.

16 Q. Tract number 17, Arch of West Virginia, is that
17 still an unleased tract?

18 A. Yes, sir, it is.

19 Q. And were you assigned any of these other tracts,
20 is there any change in any of these other tracts you were
21 assigned to?

22 A. No.

23 Q. So the only real change then would be in tract
24 1, the Kay Bell being an heir of the Laytons?

1 A. That's correct.

2 Q. All right, sir. In connection with your work in
3 trying to locate these people, did you in fact in your
4 professional opinion exercise due diligence in trying to
5 locate these unknown people?

6 A. Yes, I did. I searched courthouse records, I
7 searched the abstract we had from the 1980's when we
8 attempted to locate them at that time, and I did use the
9 Internet and telephone also trying to locate them.

10 MR. WILHOIT: That's all I have of this
11 witness.

12 COMMISSIONER LAY: Any questions?

13 MR. RADABAUGH: No questions.

14 COMMISSIONER LAY: Marty?

15 CROSS EXAMINATION

16 BY MR. MARTIN:

17 Q. What is the total percentage that you have
18 leased in the unit now as of today?

19 A. It's 88, I think he just said, and then we had a
20 few more leases. I haven't figured the percentage yet
21 from what Ralph has added.

22 MR. WILHOIT: Let me ask this. The people
23 that you have located and contacted, have they returned
24 the leases yet to you?

1 MR. PARSONS: All of them except for the
2 one, and I have contacted them, sir, and they haven't
3 returned anything.

4 MR. WILHOIT: And that was Mr. Parsons
5 testifying. We will submit a revised Exhibit 6 to you
6 setting out who has been leased and who remains unleased
7 and the totals. We'll do that with the order.

8 COMMISSIONER LAY: Anything else? Marty,
9 Brett, any questions?

10 MR. MARTIN: No.

11 MR. LOFLIN: No questions.

12 COMMISSIONER LAY: Call your next witness,
13 please.

14 MR. WILHOIT: Mr. Rob Schindler.

15 ROBERT SCHINDLER, after being first
16 previously duly sworn, was examined and testified as
17 follows:

18 BY MR. WILHOIT:

19 Q. Would you state your full name, please, for the
20 record?

21 A. Robert E. Schindler.

22 Q. And what is your position?

23 A. I am a senior drilling engineer, Chesapeake
24 Appalachia.

1 Q. In connection with this application currently
2 pending before the Commission, are you familiar with the
3 authority for expenditure, or AFE, which is attached as
4 Exhibit No. 4?

5 A. Yes, I am.

6 Q. Did you in fact prepare it?

7 A. Yes.

8 Q. All right, sir. What is the estimated costs for
9 a dry hole?

10 A. Estimated dry hole costs is \$603,457.

11 Q. And what would be the costs of a completion?

12 A. \$432,670.

13 Q. And does your AFE contain a provision for a
14 monthly operating charge?

15 A. No. That comes under Jeff's testimony.

16 Q. Okay. So -- all right, sir. Are you familiar
17 then also with Exhibit No. 1 and 2 as far as the location
18 of the well?

19 A. Are you familiar what?

20 Q. As far as the location of the well on Exhibits
21 No. 1 and 2?

22 A. Yes.

23 Q. Is that a correct location?

24 A. Yes.

1 Q. All right, sir.

2 MR. WILHOIT: I believe that's all the
3 questions I have of this witness.

4 MR. RADABAUGH: Nothing for me.

5 COMMISSIONER LAY: Call your next witness.

6 MR. WILHOIT: Okay, Mr. Jeff Cable.

7 JEFF CABLE, after being first previously
8 duly sworn, was examined and testified as follows:

9 BY MR. WILHOIT:

10 Q. Mr. Cable, would you state your name, please,
11 for the record?

12 A. Jeff Cable.

13 Q. And how are you employed, Mr. Cable?

14 A. I'm the senior reservoir engineer for Chesapeake
15 Energy?

16 A. All right, sir. In connection with your job,
17 are you familiar with the application currently pending
18 before this commission?

19 A. Yes, I am.

20 Q. And in connection with that, are you familiar
21 with the well that is proposed to be drilled?

22 A. Yes.

23 Q. Do you know what the estimated reserves are?

24 A. Yes. 1.8 bcf.

1 Q. All right, sir. Now, I'll ask you this
2 question. In connection with the operation of this well,
3 will Chesapeake be imposing a monthly operating fee?

4 A. Yes. The estimated operating -- monthly
5 operating fee will be \$876.45.

6 Q. All right. Is that fee based on actual costs?

7 A. That includes actual direct costs and overhead.

8 Q. All right, sir. In connection with the
9 application, are you familiar with the Exhibit No. 3
10 attached thereto?

11 A. Yes.

12 Q. And is it your testimony -- or let me ask you
13 this. Are there any other wells, deep wells within a two
14 mile radius of the proposed location?

15 A. Other than Tuscarora wells, no.

16 Q. And those Tuscarora wells are operated by you?

17 A. Yes.

18 MR. WILHOIT: That's all I have of this
19 witness.

20 EXAMINATION

21 BY COMMISSIONER LAY:

22 Q. Exactly the breakdown of the \$876 per month
23 operating fee, what portion of that is actual costs, what
24 portion is overhead?

1 A. \$609.38 would be actual, and \$167 overhead.

2 Q. What is included in your actual estimated costs?

3 A. That would be direct labor, vehicles, any
4 materials used to operate the wells.

5 Q. What type of materials would be involved in
6 that?

7 A. Well, just -- just the overall operation of the
8 field. The costs are basically split amongst all the
9 wells out in the field.

10 Q. That would include compression, stripping
11 facilities, all those --

12 A. Well, that -- that is -- that is a separate
13 issue because it's taken out of the CO₂ revenue part, the
14 compression and the separation. The \$609 is direct well
15 operation costs.

16 Q. And you're charging the balance to LOE?

17 A. Right.

18 Q. In another form?

19 A. (No response.)

20 Q. I mean, if it's LOE expense, shouldn't it be
21 included in this?

22 A. Well, it is. That \$609 is all -- is everything
23 included in the operation of the wells in the field.

24 Q. That's all in costs?

1 A. Right. The \$167 overhead would be the
2 Charleston --

3 Q. That's your corporate G&A?

4 A. Right.

5 Q. But the \$106 -- or the \$109 is all in LOE
6 expense to the entire --

7 A. \$609, right.

8 Q. And that is based on costs, not -- actual costs?

9 A. That's based on actual costs.

10 Q. And it varies monthly depending upon those
11 costs?

12 A. Yeah.

13 Q. Okay.

14 COMMISSIONER LAY: Marty, you have any
15 questions? Brett?

16 MR. LOFLIN: No, I don't have any
17 questions.

18 COMMISSIONER LAY: You may call your next
19 witness.

20 MR. WILHOIT: That would be all the
21 witnesses we would have today in this hearing, and I would
22 respectfully ask the Commission that they enter an order
23 designating this applicant as operator of the proposed
24 well in unit block 107 and interests of the unleased

1 owners and parties set out on Exhibit 6 be pooled, and
2 that the unit be formed and that an order be entered to
3 that effect. That would be all we have.

4 COMMISSIONER LAY: Any other questions
5 from the Commission?

6 (No response.)

7 COMMISSIONER LAY: We're off the record.

8 (A discussion was had off the record.)

9 COMMISSIONER LAY: We'll go back on the
10 record then. We're back on the record. Do we have a
11 motion?

12 MR. RADABAUGH: I'll make a motion to
13 grant the relief requested by Chesapeake to pool the
14 unknown and unleased interests. Also, Commission would
15 like to have an updated list of those leased persons.
16 Also, final costs after completion of well, we would like
17 to have a copy of those with it with reconciliation to the
18 estimates of the AFE. Also, that all costs for the
19 drilling and operating of the well reflects Chesapeake's
20 actual costs.

21 COMMISSIONER LAY: Do we have a second?

22 MR. GUM: Second that motion.

23 COMMISSIONER LAY: We have a motion and a
24 second. Any further discussion?

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(No response.)

COMMISSIONER LAY: All those in favor of
the motion say aye.

(All members were in favor of the motion.)

COMMISSIONER LAY: Motion carried. I
would request that counsel for Chesapeake draft a -- or
prepare a draft order for staff to review and the
Commission to review as well.

MR. WILHOIT: Yes, sir.

COMMISSIONER LAY: Submit that to Mr.
Loflin. Anything else from members of the Commission?

MR. RADABAUGH: Nothing here.

COMMISSIONER LAY: Staff?

MR. MARTIN: The escrow language, did we
say something about the escrow language; was that in your
motion?

MR. RADABAUGH: No, it wasn't.

COMMISSIONER LAY: That's something we
probably -- I guess we need to address that outside the
motion, but your order should -- should stipulate how
you're going to handle the funds due to the unknowns that
cannot be located.

MR. WILHOIT: I'll have to look at the
order. I'm not sure.

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COMMISSIONER LAY: Pardon me?

MR. WILHOIT: I'll have to look at the order we've used in the past and see if it addresses that. I'm not sure if it does or not.

COMMISSIONER LAY: I don't recall.

MR. MARTIN: I don't think it does either. There might be something in the original where we established the special field rules. There may be something in there about it -- the unknowns, the monies due being escrowed. I'm not sure either. We'll have to go back and look.

COMMISSIONER LAY: Anything further from the Commission or Staff?

(No response.)

COMMISSIONER LAY: Anything Chesapeake wishes to put of record?

MR. WILHOIT: No.

COMMISSIONER LAY: Okay. We'll close the record then. Thank you.

(The proceeding was concluded at 1:55 p.m.)

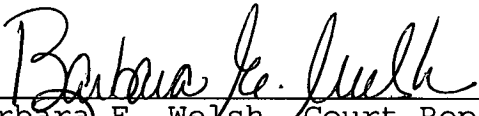
* * * * *

1 STATE OF WEST VIRGINIA,

2 COUNTY OF KANAWHA, to-wit:

3
4 I, Barbara E. Welsh, Court Reporter and Notary
5 Public, do hereby certify that the foregoing is, to the
6 best of my skill and ability, a true and accurate
7 transcript of all the proceedings had in the
8 aforementioned matter, as reported by me in stenographic
9 characters and transcribed into the English language.

10 Given under my hand this 18th day of October,
11 2006.

12
13 
14 Barbara E. Welsh, Court Reporter

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece,

1. A



Wilhoit and Kaiser
Anthony Wilhoit
P O Box 1389
Charleston, WV 25325

2. Article Number

(Transfer from service label)

7004 1350 0000 5717 5892

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X *E. Knott*☐ Agent☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

E. Knott 08/28/06different from item 1? ☐ Yes
every address below: ☐ No

AUG 28 2006

3. Service Type

☒ Certified Mail☐ Express Mail☐ Registered☐ Return Receipt for Merchandise☐ Insured Mail☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.



Chesapeake Appalachia, LLC
 Attention: Michael John
 P O Box 6070
 Charleston, WV 25362

2. Article Number

(Transfer from service label)

7004 1350 0000 5717 5885

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X *Brian Deby*

☐ Agent

☐ Addressee

B. Received by (Printed Name)

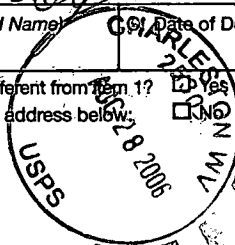
C. Date of Delivery

D. Is delivery address different from item 1?

delivery address below:

☒ Yes

☐ No



☒ Certified Mail

☐ Express Mail

☐ Registered

☐ Return Receipt for Merchandise

☐ Insured Mail

☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece.

1.



ACIN, LLC
P O Box 2727
Huntington, WV 25727-2827

COMPLETE THIS SECTION ON DELIVERY

A. Signature

[Handwritten Signature]

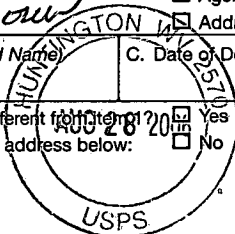
☐ Agent

☒ Addressee

B. Received by (Printed Name)

C. Date of Delivery

Is different from item 1? ☒ Yes
Delivery address below: ☐ No



3. Service Type

- ☒ Certified Mail
- ☐ Registered
- ☐ Insured Mail

- ☐ Express Mail
- ☐ Return Receipt for Merchandise
- ☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

2. Article Number

(Transfer from service label)

7004 1350 0000 5717 5908

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece.

1. 

Terry Butler
HC 36, Box 300
Charleston, WV 25306

2. Article Number
(Transfer from service label)

7004 1350 0000 5717 5915

COMPLETE THIS SECTION ON DELIVERY

A. Signature

Terry Butler

☐ Agent

☐ Addressee

B. Received by (Printed Name)

TERRY BUTLER

C. Date of Delivery

8-28-00

Is different from item 1? ☐ Yes

Very address below: ☐ No

3. Service type

☒ Certified Mail

☐ Express Mail

☐ Registered

☐ Return Receipt for Merchandise

☐ Insured Mail

☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece,



Diana Lyn Clavert
P O Box 510
Crestwood, KY 40014

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

RJ Clavert

☒ Agent

☐ Addressee

B. Received by (Printed Name)

RJ Clavert

C. Date of Delivery

9-9-0

Address different from item 1?

☐ Yes

delivery address below:

☐ No

3. Service type

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Certified Mail

☐ Express Mail

☐

Registered

☐ Return Receipt for Merchandise

☐

Insured Mail

☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes


2. Article Number

(Transfer from service label)

7004 1350 0000 5717 5922

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. 
Connie Sue Patton
2378 1/2 Neighbors Drive
Charleston, WV 25306

2. Article Number
(Transfer from service label)

7004 1350 0000 5717 5946

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X 

☐ Agent

☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

6/25/01

Is different from item 1? ☐ Yes
Every address below: ☐ No

3. Service Type

☒ Certified Mail

☐ Express Mail

☐ Registered

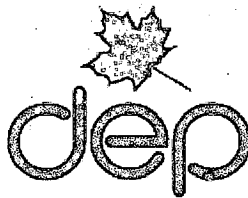
☐ Return Receipt for Merchandise

☐ Insured Mail

☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes



west virginia department of environmental protection

Oil and Gas Conservation Commission
601 57th Street, SE
Charleston, West Virginia 25301

Joe Manchin III, Governor
www.wvdep.org

BEFORE THE OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF WEST VIRGINIA

IN THE MATTER OF THE REQUEST BY CHESAPEAKE
APPALACHIA, LLC FOR AN ORDER FROM THE
COMMISSION POOLING TRACTS AND INTERESTS OF
OIL AND GAS OWNERS FOR THE DEVELOPMENT AND
OPERATION OF UNIT BLOCK #107 IN THE TUSCARORA
SANDSTONE POOL OF THE INDIAN CREEK FIELD,
MALDEN DISTRICT, KANAWHA COUNTY, WEST
VIRGINIA.

DOCKET NO. 173

CAUSE NO. 28

NOTICE OF HEARING

The Oil and Gas Conservation Commission in Cause 28, Order 1, established special field rules for the Tuscarora sandstone pool of the Indian Creek Field. The Order dictated that each drilling unit would encompass 640 acres and that each well shall be located not less than 1,500' from a unit boundary. Chesapeake is requesting an order from the Commission pooling the interests in tracts of certain owners (list attached) of the oil and gas in place in the Tuscarora formation in unit block #107 consistent with and pursuant to the provisions of WV Code 22C-9-7(b) as amended. The matter is set for:

DATE: September 14, 2006

TIME: 10:00 am

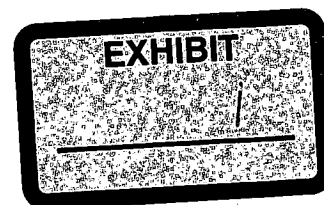
PLACE: Department of Environmental Protection
Oil and Gas Conservation Commission
601 57th Street, SE
Charleston, WV 25304
(304)926-0499, Ext 1656

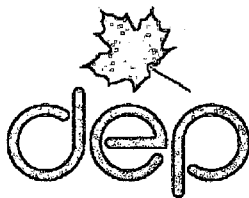
OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF WEST VIRGINIA

By: Barry K. Lay
Barry K. Lay, Commissioner

Dated this 23rd day of August, 2006, at Charleston, West Virginia.

Promoting a healthy environment.





west virginia department of environmental protection

Oil and Gas Conservation Commission
601 57th Street, SE
Charleston, West Virginia 25301

Joe Manchin III, Governor
www.wvdep.org

BEFORE THE OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF WEST VIRGINIA

IN THE MATTER OF THE REQUEST BY CHESAPEAKE
APPALACHIA, LLC FOR AN ORDER FROM THE
COMMISSION POOLING TRACTS AND INTERESTS OF
OIL AND GAS OWNERS FOR THE DEVELOPMENT AND
OPERATION OF UNIT BLOCK #107 IN THE TUSCARORA
SANDSTONE POOL OF THE INDIAN CREEK FIELD,
MALDEN DISTRICT, KANAWHA COUNTY, WEST
VIRGINIA.

DOCKET NO. 173

CAUSE NO. 28

NOTICE OF CONTINUANCE

The Oil and Gas Conservation Commission in Cause 28, Order 1, established special field rules for the Tuscarora sandstone pool of the Indian Creek Field. The Order dictated that each drilling unit would encompass 640 acres and that each well shall be located not less than 1,500' from a unit boundary. Chesapeake is requesting an order from the Commission pooling the interests in tracts of certain owners (list attached) of the oil and gas in place in the Tuscarora formation in unit block #107 consistent with and pursuant to the provisions of WV Code 22C-9-7(b) as amended. The matter is set for:

DATE: October 12, 2006

TIME: 1:00 p.m.

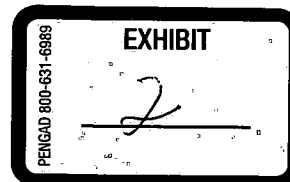
PLACE: Department of Environmental Protection
Oil and Gas Conservation Commission
601 57th Street, SE
Charleston, WV 25304
(304)926-0499, Ext 1656

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF WEST VIRGINIA

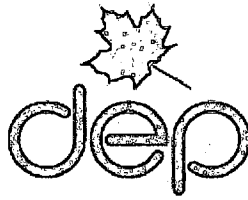
By: _____

Barry K. Lay, Commissioner

Dated this 25th day of September, 2006, at Charleston, West Virginia.



Promoting a healthy environment.



west virginia department of environmental protection

Oil and Gas Conservation Commission
601 57th Street, Charleston, WV 25304

Joe Manchin III, Governor
Stephanie R. Timmermeyer, Cabinet Secretary
www.wvdep.org

September 25, 2006

Charleston Newspaper
Attention: Legal Ad
P O Box 2993
Charleston, WV 25330

RE: Legal advertisement

Dear Sir:

Please publish the enclosed REVISED "Notice of Hearing" as a legal advertisement on Wednesday, September 27 and again on Wednesday, October 2, 2006. On September 14, 2006 a "Notice of Hearing" was sent to you requesting it be publish, I would like to withdraw that request as the time of the hearing has now been changed.

Please send invoice and certification to:

Oil and Gas Conservation Commission
Attention: Cindy Raines
601 57th Street, SE
Charleston, WV 25304

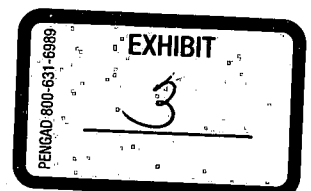
If you have any questions, please call me at 304.926.0499, ext 1656.

Sincerely,

Cindy Raines
Adm. Secretary

encl:

Promoting a healthy environment.



**Owners of leased tracts without
Modification agreement**

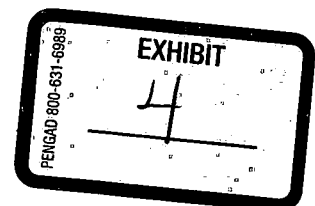
Address

Victor V. Stover	Unknown
Dawn Kimberly Burris	Unknown
John Layton	Unknown
Larae Casner	Unknown
Nina Jean Harges	Unknown
Ernest M. Layton and Loretta Layton Heirs	Unknown

Owners of unleased interests

Address

Willa Crowder	Unknown
Vernie Crowder	Unknown
Vivian Crowder	Unknown
Janice Crowder	Unknown
Loretta Gilliam	Unknown
Bessie May Collins, Estate	Unknown
Shirley Crowder, Estate	Unknown
Keith Woods	Unknown
J. Hudson Robinson	Unknown
Alma Hackey Heirs	Unknown





LAW DEPARTMENT

August 22, 2006

Oil and Gas Conservation Commission
Department of Environmental Protection
601 – 57th Street
Charleston, WV 25304

Attention: Cindy Raines

Re: In the Matter of the Application of Chesapeake Appalachia,
L.L.C. for an Order from the Commission Pooling Tracts and
Interests of Oil and Gas Owners in the Absence of a Voluntary
Agreement for The Development and Operation of Unit Block
107 in the Tuscarora Sandstone Pool of the Indian Creek Field,
Malden District, Kanawha County, West Virginia, Pursuant to
West Virginia Code 22C-9-7(b), As Amended

Dear Ms. Raines:

Enclosed for filing is Chesapeake Appalachia, L.L.C.'s Application in the captioned matter. If everything is in order, please set the matter for hearing and advise us of the time and date. If you have any questions or need additional information, please call me.

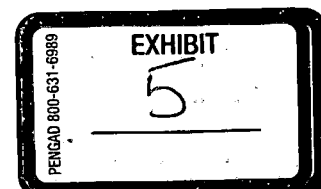
Sincerely,

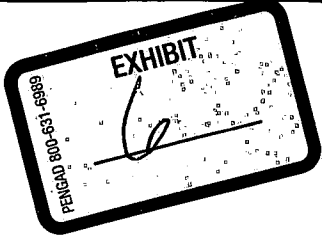
Tinki M. Williams

Enclosure

L:\Tink\Force Pooling\WellNo825550\Filing.8.22.06.doc

Tinki M. Williams
Paralegal
900 Pennsylvania Avenue
P. O. Box 6070
Charleston, WV 25362-0070
DD: 304.353.5180
Fax: 304.353.5234
Email: twilliams@chkenegy.com





**BEFORE THE OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF WEST VIRGINIA**

IN THE MATTER OF THE APPLICATION OF CHESAPEAKE)
APPALACHIA, L. L. C. FOR AN ORDER FROM THE)
COMMISSION POOLING TRACTS AND INTERESTS OF)
OIL AND GAS OWNERS IN THE ABSENCE OF A VOLUNTARY)
AGREEMENT FOR THE DEVELOPMENT AND OPERATION)
OF UNIT BLOCK 107 IN THE TUSCARORA SANDSTONE)
POOL OF THE INDIAN CREEK FIELD, MALDEN DISTRICT,)
KANAWHA COUNTY, WEST VIRGINIA, PURSUANT)
TO WEST VIRGINIA CODE 22C-9-7(b), AS AMENDED.)

DOCKET NO. _____

CAUSE NO. _____

APPLICATION

Comes now the Applicant, Chesapeake Appalachia, L. L. C., a limited liability company, and states the following:

1. This Application is filed pursuant to West Virginia Code 22C-9-7(b), as amended.
2. Applicant is an operator within the meaning of West Virginia Code 22C-9-2(4).
3. By Order entered on the 29th day of August, 1979, the Commission established jurisdiction over Applicant's deep well drilling program in the Indian Creek Field, and further established Special Field Rules for the Tuscarora Sandstone Pool of said Field situate in Kanawha County, West Virginia.
4. That said pool and Field have been identified by Exhibits filed in previous Hearings before the Commission and that the drilling units formed in said Field are comprised of six hundred forty (640) acres each.
5. Applicant has filed an application for a drilling permit with the West Virginia Department of Mines, Oil and Gas Division, for the drilling of its proposed Well No. 825550 in Unit Block 107 of the Indian Creek Field. The proposed location of said well is more particularly shown and identified on Applicant's Exhibit Nos. 1 and 2, attached hereto and made a part hereof.
6. To the best of Applicant's knowledge, no operator, other than the Applicant, desires to operate Unit Block No. 107. Further, there are no operators, other than Applicant, of permitted deep well locations within two (2) miles of the proposed location of Well No. 825550, as shown on Applicant's Exhibit No. 3, attached hereto and made a part hereof.
7. Applicant estimates that the dry hole and completion costs for Well No. 825550 and associated well line are \$603,457 and \$432,670, respectively, as shown on Applicant's Exhibit No. 4, attached hereto and made a part hereof.
8. In compliance with West Virginia Code, 22C-9-7(b)(4), as amended, Applicant has obtained a Certificate of Consent and Easement Agreement from the surface owner of the tract of land upon which Well No. 825550 is to be drilled, a copy of which is attached hereto and made a part hereof as Applicant's Exhibit No. 5.
9. Applicant has obtained Lease Agreements from over 88% of the oil and gas owners in Unit Block 107 of the Indian Creek Field. The owners of the oil and gas who have not entered

into a lease or signed a voluntary modification agreement are shown on Applicant's Exhibit No. 6, attached hereto and made a part hereof.

10. Applicant has made reasonable efforts to locate and/or obtain leases or voluntary Unitization Agreements from the owners of the unleased tracts. However, to date, these efforts have been unsuccessful.

11. Applicant represents that unless an Order is entered by the Commission designating Applicant as operator of Unit Block No. 107 and pooling the interests and tracts of the owners of the oil and gas in place within this unit, the oil and gas within the Tuscarora Formation underlying the tracts within Unit Block No. 107 will not otherwise be produced and developed.

12. Based on the above, Applicant respectfully represents that the granting of the relief requested in this Application will:

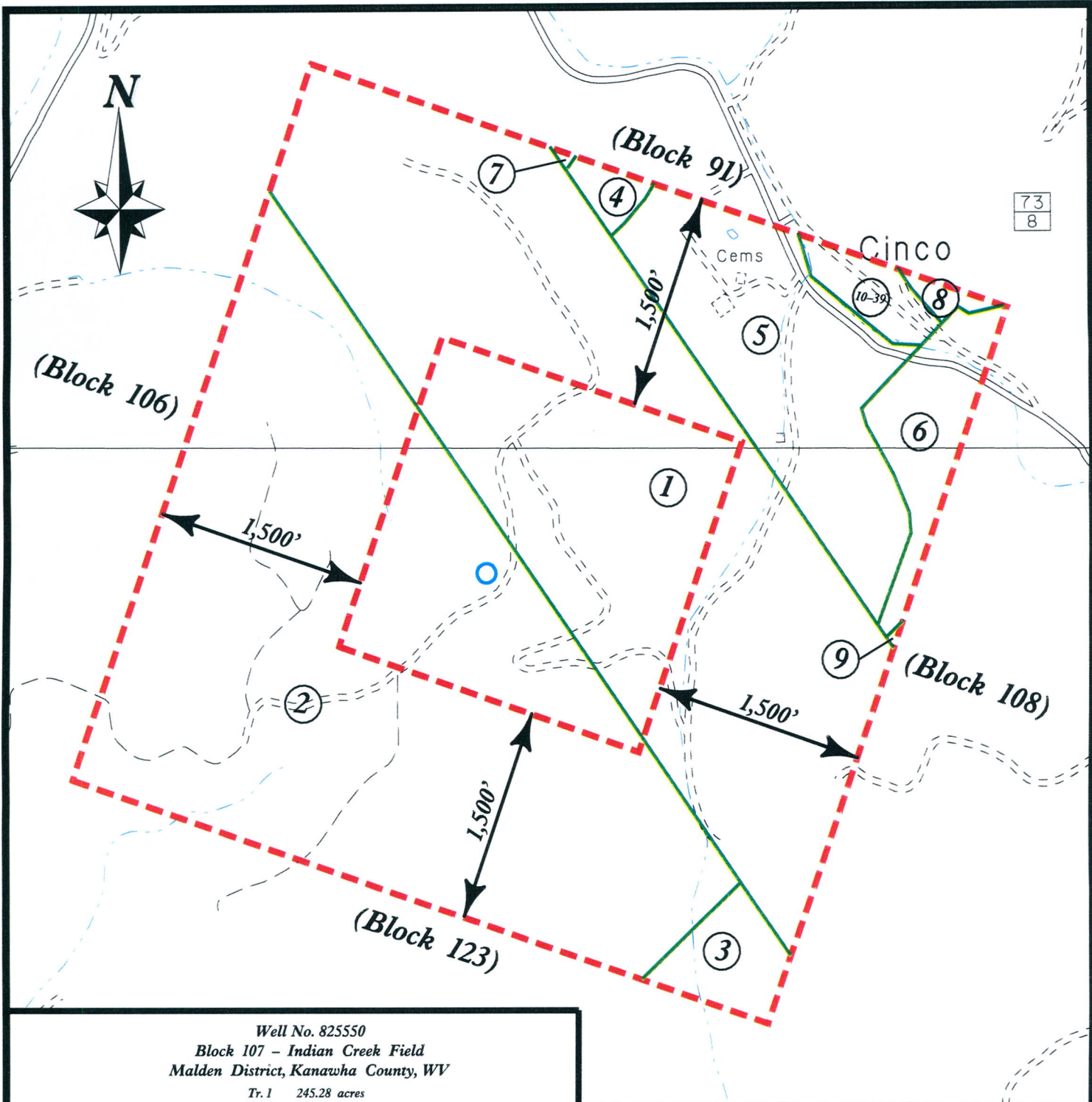
- (a) Foster, encourage and promote development, production, utilization, and conservation of oil and gas resources;
- (b) Prohibit waste of oil and gas resources;
- (c) Encourage the maximum recovery of oil and gas in Unit Block No. 107;
- (d) Not interfere with the correlative rights of other operators insofar as their interest may be provided for in accordance with West Virginia Code, 22C-9-7(b) as amended; and
- (e) Not interfere with or alter development of the spacing pattern of the total area encompassed within the Special Field Rules.

WHEREFORE, Applicant respectfully requests that the Commission enter an Order (i) designating Applicant as operator of its proposed Well No. 825550 in Unit Block No. 107; (ii) pooling the interests and tracts of the unleased owners of the oil and gas in place in the Tuscarora Formation in Unit Block No. 107 consistent with and pursuant to the provisions of West Virginia Code, 22C-9-7(b) as amended, and (iii) granting the Applicant such other relief, both general and special in nature, as to the Commission deems just and fair.

CHESAPEAKE APPALACHIA, L. L. C.,
A limited liability company
By Counsel



ANTHONY A. WILHOIT
COUNSEL FOR APPLICANT
Chesapeake Appalachia, L. L. C.
P. O. Box 6070
Charleston, West Virginia 25362-0070



Well No. 825550
Block 107 - Indian Creek Field
Malden District, Kanawha County, WV

Tr. 1	245.28 acres
Tr. 2	280.64 acres
Tr. 3	12.54 acres
Tr. 4	4.56 acres
Tr. 5	63.88 acres
Tr. 6	20.52 acres
Tr. 7	0.23 acres
Tr. 8	2.64 acres
Tr. 9	0.16 acres
Tr. 10-39	9.55 acres

Total 640.00 acres

Exhibit "I"

NOTICE

This maplet reflects only the approximate location of the depicted natural gas facilities (including property and property lines, lease and lease boundary lines). Chesapeake Energy Corporation does not warrant the accuracy or completeness of the depiction.

Furthermore, this maplet is the property of Chesapeake Energy Corporation and may contain confidential and/or proprietary information. It may not be copied or otherwise made available to any other party without prior written consent from Chesapeake Energy Corporation.

Chesapeake Energy Corporation expressly disclaims responsibility for any action, activity or decision by a third party on the basis of the information depicted on this maplet.

Call or write:

MANAGER, TECHNICAL SERVICES
 CHESAPEAKE ENERGY CORPORATION
 P.O. BOX 8070
 CHARLESTON, WV 25362-0070
 (304) 353-5000

THIS MAP MAY NOT REFLECT TRACTS LESS THAN 10 ACRES

Quadrangle
Location:



Quick, WV



SCALE: 0 500 1000

Technician: ssimms
 Plot Date: 21-AUG-2006

g:\Law\Keith Moffatt\825550exh.bor

Cinco



5

8

6

11 10 13 12 14 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39

Exhibit "2"

Well No. 825550
Block 107 - Indian Creek Field
Malden District, Kanawha County, WV

NOTICE

This maplet reflects only the approximate location of the depicted natural gas facilities (including property and property lines, lease and lease boundary lines). Chesapeake Energy Corporation does not warrant the accuracy or completeness of the depiction. Furthermore, this maplet is the property of Chesapeake Energy Corporation and may contain confidential and/or proprietary information. It may not be copied or otherwise made available to any other party without prior written consent from Chesapeake Energy Corporation. Chesapeake Energy Corporation expressly disclaims responsibility for any action, activity or decision by a third party on the basis of the information depicted on this maplet. Call or write:

MANAGER, TECHNICAL SERVICES
CHESAPEAKE ENERGY CORPORATION
P.O. BOX 6070
CHARLESTON, WV 25362-0070
(304) 353-5000

THIS MAP MAY NOT REFLECT TRACTS LESS THAN 10 ACRES

Quadrangle
Location:



Quick, WV



SCALE: 0 125 250

Technician: ssimms
Plot Date: 21-AUG-2006

g:\Law\Keith Moffatt\825550Bexh.bor

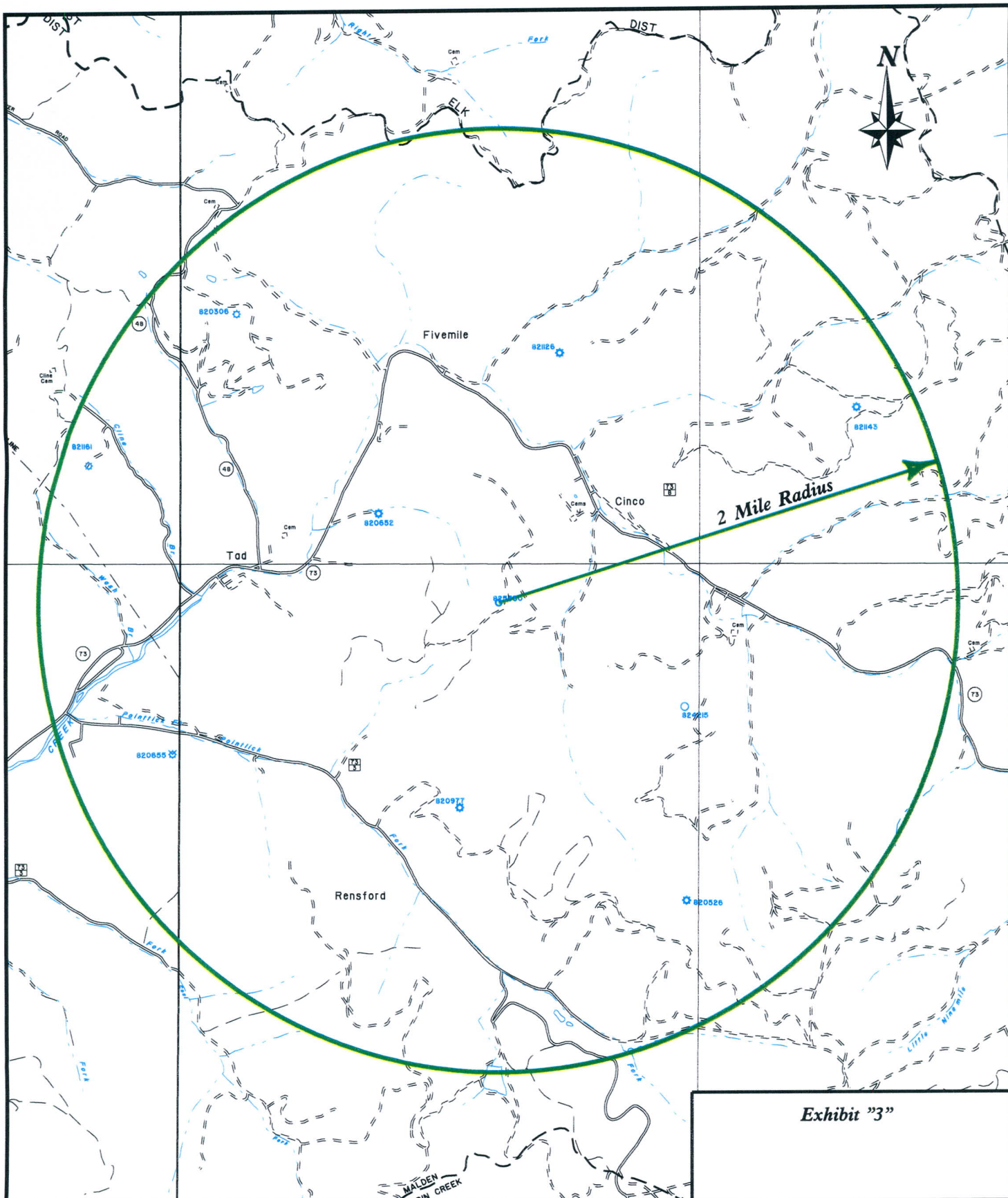


Exhibit "3"

NOTICE:
This map reflects only the approximate location of the depicted natural gas facilities (including property and property lines, lease and lease boundary lines). Chesapeake Energy Corporation does not warrant the accuracy or completeness of the depiction. Furthermore, this map is the property of Chesapeake Energy Corporation and may contain confidential and proprietary information. It may not be copied or otherwise made available to any other party without prior written consent from Chesapeake Energy Corporation. Chesapeake Energy Corporation expressly disclaims responsibility for any action, activity or decision by a third party on the basis of the information depicted on this map. Call or write:

MANAGER TECHNICAL SERVICES
CHESAPEAKE ENERGY CORPORATION
P.O. BOX 8070
CHARLESTON, WV 25308-8070
(304) 383-8000

THIS MAP MAY NOT REPRODUCE THINGS LESS THAN 10 INCHES

Quadrangle
Location:



Quick, WV



SCALE:



Technician: ssimms
Plot Date: 21-AUG-2006
g:\Law\Keith_Moffatt\825550Cexh.bar



BUDGET NO. _____ AFE NO. 825550
 MISCELLANEOUS ASSIGNMENT NO. _____

Description and Justification: *Drill and complete new Indian Creek well # 825550*

Twp. / Dist. Malden County Kanawha State WV
 Est. Start Date _____ Est. Compl. Date _____ Est. T.D. 6760 Est. SIP 755
 Formations Tuscarora Lease (name-no./ Co.) _____ Block 107
 Region SE Tax Partnership _____ Operator CHK
 Prospect / Field Indian Creek Prepared by Schindler Prepared date 08/11/06
 Net Revenue Interest _____ % Working Interest _____ % Cost Interest _____ %

INTANGIBLES

			Dry hole	Completion	Total	Net
Contract Drilling	5310 ft. @	\$24 / ft.	\$127,440		\$127,440	
Contract Day Work						
Drilling	7 d. @	\$10,200 / d.	\$71,400	\$0	\$71,400	
Log/Perf/Comp/ Coring	2 d. @	\$10,200 / d.	\$20,400	\$0	\$20,400	
Other	d. @	\$0 / d.	\$0	\$0	\$0	
Company Labor & Consultant			\$10,000	\$5,000	\$15,000	
Road & Location (Inc. Reclamation & Damage)			\$30,000	\$10,000	\$40,000	
Trucking & Hauling			\$15,000	\$8,000	\$23,000	
Rental of Equipment incl. mud pump			\$12,000	\$4,000	\$16,000	
Service Rig	12 d. @	\$2,000 / d.	\$0	\$24,000	\$24,000	
Cementing Mt'l and Services			\$45,000	\$15,000	\$60,000	
Logging			\$17,500	\$5,000	\$22,500	
Perforating			\$0	\$6,000	\$6,000	
Stimulating			\$0	\$105,000	\$105,000	
Other Contract Service Towing, H2S, flowback, etc.			\$15,000	\$10,000	\$25,000	
Personal and Travel Expenses			\$1,000	\$500	\$1,500	
Company Equipment and General Tools			\$1,000	\$500	\$1,500	
Permits and Surveys			\$10,000	\$0	\$10,000	
Drilling Bit 17 1/2" 6 1/4", 3 3/4"			\$15,000	\$1,000	\$16,000	
Mud and Chemicals incl. Fuel			\$20,000	\$6,000	\$26,000	
Other Expendables			\$12,500	\$6,000	\$18,500	
Land and Lease Costs / Abstracts			\$30,000	\$0	\$30,000	
Overheads / labor			\$3,000	\$2,000	\$5,000	
TOTAL INTANGIBLES			<u>\$456,240</u>	<u>\$208,000</u>	<u>\$664,240</u>	

EXHIBIT NO. 4

TANGIBLES (remaining costs through completion)

C	Length. Ft.	Size. in.	Wt./ft.	Gr.	Price/Ft.	Dry Hole	Completion	Total	Net
A						\$0	\$0	\$0	
S	40	20		LP	\$32.50	\$1,300	\$0	\$1,300	
I	700	13 3/8	37	LS	\$23.50	\$16,450	\$0	\$16,450	
N	1950	9 5/8	32.3	LS	\$16.11	\$31,415	\$0	\$31,415	
G	5400	7	23	J	\$15.38	\$83,052	\$0	\$83,052	
	6,850	4 1/2	13.5	L	\$14.20	\$0	\$97,270	\$97,270	
Tbg.	6,800	2 3/8	4.7	AB	\$4.25	\$0	\$28,900	\$28,900	
Wellhead assembly						\$12,000	\$25,000	\$37,000	
Surface Equip -GAS						\$0	\$8,000	\$8,000	
Surface Equip -OIL						\$0	\$0	\$0	
Downhole Equipment						\$3,000	\$3,000	\$6,000	
Non-Controllable Equipment						\$0	\$0	\$0	

TOTAL TANGIBLES

\$147,217 \$162,170 \$309,387

TOTAL WELL COST

\$603,457 \$370,170 \$973,627

Well Line Costs	2500' @ \$17.00	\$0	\$42,500	\$42,500
Meter Costs		\$0	\$10,000	\$10,000
Other Costs	Labor & equip. to get off loc. & tie in	\$0	\$10,000	\$10,000

Well 825550

TOTAL LINE & MEASUREMENT COST

\$0 \$62,500 \$62,500

TOTAL PROJECT COST

\$603,457 \$432,670 \$1,036,127

APPROVAL _____ DATE _____

APPROVAL _____ DATE _____

JOINT INTEREST APPROVAL

COMPANY NAME _____ APPROVAL _____ DATE _____
 Net Revenue Interest _____ % Working Interest _____ % Cost Interest _____ %

This AFE represents only the estimated costs, and shall not supercede the terms of the Operating Agreement or COPAS accounting practice.

Chesapeake Well No. 825550

Lease No. 1017417-000

CERTIFICATE OF CONSENT AND EASEMENT

This Certificate of Consent and Easement, made and entered into this 24th day of June, 2006, by and between POSLER LIMITED PARTNERSHIP, By DICKINSON FUEL COMPANY, INC., a West Virginia corporation, General Partner,
P.O. Box 311, Charleston, West Virginia 25321 (hereinafter "Grantor(s)"); and **Chesapeake Appalachia, L.L.C.**, an Oklahoma limited liability company the surviving entity of the merger with Columbia Natural Resources, LLC (hereinafter "Chesapeake").

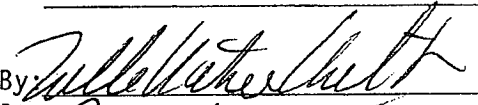
That in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Grantor(s), being sole owner/all the owners of the surface of that certain lot, tract or parcel of land located in Malden District, Kanawha County, State of West Virginia, shown on the Well Location Plat, dated April 28, 2006, attached hereto and made a part hereof, hereby consent and grant an easement, pursuant to West Virginia Code, Section 22C-9-7(B)(4) and Operating Rule 4.4 of the Rules and Regulations of the West Virginia Oil and Gas Conservation Commission, to Chesapeake, its successors or assigns, for the drilling and operation of a deep well for the production of oil or gas at the location shown on the attached Well Location Plat, with ingress and egress to and from the same.

This agreement may be executed in one or more counterparts, each of which shall be deemed original, and all of which together shall constitute one and the same instrument. If for any reason, any party named herein fails to execute this contract, it shall nevertheless, be binding upon the signing parties.

DECLARATION OF CONSIDERATION OF VALUE: Grantor(s) does (do) hereby declare that this document is exempt from excise tax on the privilege of transferring real estate for the following reason: The value of the property transferred by this document is less than One Hundred Dollars (\$100.00).

WITNESS the following signatures:

POSLER LIMITED PARTNERSHIP, By
DICKINSON FUEL COMPANY, INC., a West
Virginia corporation, General Partner

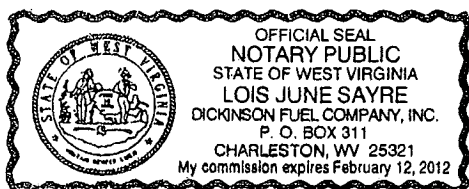
By: 
Its President

STATE OF WEST VIRGINIA

COUNTY OF KANAWHA

On this 29th day of June, 2006, before me,
Lois June Sayre a Notary Public, came
Nelle Ratrie Chilton

to me known (or to me satisfactorily proven) to be the individual(s) described in, and who executed the foregoing instrument and acknowledged that he/she/they executed the same for the purposes therein contained.



Lois June Sayre
Notary Public

My commission expires: February 12, 2012

STATE OF WEST VIRGINIA

COUNTY OF _____

On this _____ day of _____, 200____, before me,
_____ a Notary Public, came

to me known (or to me satisfactorily proven) to be the individual(s) described in, and who executed the foregoing instrument and acknowledged that he/she/they executed the same for the purposes therein contained.

Notary Public

My commission expires: _____

This instrument prepared by:
Chesapeake Appalachia, L.L.C.
P. O. Box 6070
Charleston, WV 25362-0070

TRACT 1 – 245.28 UNIT ACRES

NAME	INTEREST IN TRACT 1	UNIT ACREAGE LEASED WITHOUT MODIFICATION AGREEMENT	INTEREST IN UNIT
Victor V. Stover (address unknown)	5/896=30/5376	1.3687	.2139%
Dawn Kimberly Burris (address unknown)	5/1792=15/5376	.6844	.1069%
John W. Layton (address unknown)	1/672=8/5376	.3650	.0570%
Larae Casner (address unknown)	1/672=8/5376	.3650	.0570%
Nina Jean Harges (address unknown)	1/672=8/5376	.3650	.0570%
Unknown Heirs of Ernest M. Layton, Jr. and/or Loretta Layton (address unknown)	5/384=70/5376	3.1937	.4990%
TOTAL	139/5376	6.3418	.9908%

TRACT 5 – 63.88 UNIT ACRES

NAME	INTEREST IN TRACT 5	UNIT ACREAGE UNLEASED	INTEREST IN UNIT
✓ ACIN, LLC P.O. Box 2727 Huntington, WV 25727-2827	100%	63.88	9.9812% ✓

TRACT 10 – .11 UNIT ACRES

NAME	INTEREST IN TRACT 10	UNIT ACREAGE UNLEASED	INTEREST IN UNIT
Willa Crowder (address unknown)	1/15	.0073	.0011%
Vernie Crowder (address unknown)	1/15	.0073	.0011%
Vivian Crowder (address unknown)	1/15	.0073	.0011%
Janice Crowder (address unknown)	1/15	.0073	.0011%
Loretta Gilliam (address unknown)	1/15	.0074	.0012%
Estate of Bessie May Collins (address unknown)	1/3	.0367	0.0058%
Estate of Shirley Crowder (address unknown)	1/3	.0367	0.0058%
TOTAL	100%	.11	0.0172%

TRACT 15 – .10 UNIT ACRES

NAME	INTEREST IN TRACT 15	UNIT ACREAGE UNLEASED	INTEREST IN UNIT
Terry G. Butler HC 36 Box 300 Charleston, WV 25306	1/3	.0333	.0052%
Diana Lyn Clavert P.O. Box 510 Crestwood, KY 40014	1/3	.0333	.0052%
Connie Sue Patton 2378 1/2 Neighbors Drive Charleston, WV 25	1/3	.0334	.0052%
TOTAL	100%	.10	.0156%

TRACT 16 – .28 UNIT ACRES

NAME	INTEREST IN TRACT 16	UNIT ACREAGE UNLEASED	INTEREST IN UNIT
Keith Woods (address unknown)	100%	.28	.0437%

TRACT 17 – 1.58 UNIT ACRES

NAME	INTEREST IN TRACT 17	UNIT ACREAGE UNLEASED	INTEREST IN UNIT
Ark of WV	100%	1.58	.2469%

TRACT 18 – .80 UNIT ACRES

NAME	INTEREST IN TRACT 18	UNIT ACREAGE UNLEASED	INTEREST IN UNIT
J. Hudson Robinson (address unknown)	100%	.80	.1250%

TRACT 19 – .26 UNIT ACRES

NAME	INTEREST IN TRACT 19	UNIT ACREAGE UNLEASED	INTEREST IN UNIT
J. Hudson Robinson (address unknown)	100%	.26	.0406%

TRACT 21 – .22 UNIT ACRES

NAME	INTEREST IN TRACT 21	UNIT ACREAGE UNLEASED	INTEREST IN UNIT
✓ Keith Woods (address unknown)	100%	.22	.0344%

TRACT 25 – .46 UNIT ACRES

NAME	INTEREST IN TRACT 25	UNIT ACREAGE UNLEASED	INTEREST IN UNIT
Keith Woods (address unknown)	100%	.46	.0719%

TRACT 29 – .10 UNIT ACRES

NAME	INTEREST IN TRACT 29	UNIT ACREAGE UNLEASED	INTEREST IN UNIT
✓ Robert L. and Nola Simpson HC 35 Box 314 Charleston, WV 25306	100%	.10	.0156%

TRACT 39 – .18 UNIT ACRES

NAME	INTEREST IN TRACT 39	UNIT ACREAGE UNLEASED	INTEREST IN UNIT
Heirs of Alma Hackey (address unknown)	100%	.18	.0281%

TOTAL ACREAGE POOLED	INTEREST IN UNIT
74.3118	11.6110%

**Owners of leased tracts without
Modification agreement**

Address

Victor V. Stover	Unknown
Dawn Kimberly Burris	Unknown
John Layton	Unknown
Larae Casner	Unknown
Nina Jean Harges	Unknown
Ernest M. Layton and Loretta Layton Heirs	Unknown

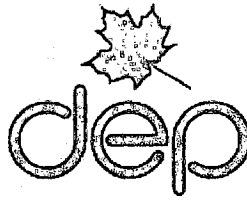
Owners of unleased interests

Address

Willa Crowder	Unknown
Vernie Crowder	Unknown
Vivian Crowder	Unknown
Janice Crowder	Unknown
Loretta Gilliam	Unknown
Bessie May Collins, Estate	Unknown
Shirley Crowder, Estate	Unknown
Keith Woods	Unknown
J. Hudson Robinson	Unknown
Alma Hackey Heirs	Unknown

EXHIBIT

2



west virginia department of environmental protection

Oil and Gas Conservation Commission
601 57th Street, SE
Charleston, West Virginia 25301

Joe Manchin III, Governor
www.wvdep.org

BEFORE THE OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF WEST VIRGINIA

IN THE MATTER OF THE REQUEST BY CHESAPEAKE
APPALACHIA, LLC FOR AN ORDER FROM THE
COMMISSION POOLING TRACTS AND INTERESTS OF
OIL AND GAS OWNERS FOR THE DEVELOPMENT AND
OPERATION OF UNIT BLOCK #107 IN THE TUSCARORA
SANDSTONE POOL OF THE INDIAN CREEK FIELD,
MALDEN DISTRICT, KANAWHA COUNTY, WEST
VIRGINIA.

DOCKET NO. 173

CAUSE NO. 28

NOTICE OF HEARING

The Oil and Gas Conservation Commission in Cause 28, Order 1, established special field rules for the Tuscarora sandstone pool of the Indian Creek Field. The Order dictated that each drilling unit would encompass 640 acres and that each well shall be located not less than 1,500' from a unit boundary. Chesapeake is requesting an order from the Commission pooling the interests in tracts of certain owners (list attached) of the oil and gas in place in the Tuscarora formation in unit block #107 consistent with and pursuant to the provisions of WV Code 22C-9-7(b) as amended. The matter is set for:

DATE: October 12, 2006

TIME: 10:00 am

PLACE: Department of Environmental Protection
Oil and Gas Conservation Commission
601 57th Street, SE
Charleston, WV 25304
(304)926-0499, Ext 1656

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF WEST VIRGINIA

By: _____

Barry K. Lay, Commissioner

Dated this 14th day of September, 2006, at Charleston, West Virginia.

Promoting a healthy environment.

**Owners of leased tracts without
Modification agreement**

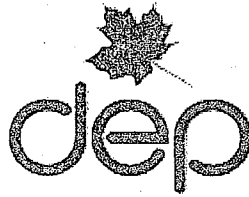
Address

Victor V. Stover	Unknown
Dawn Kimberly Burris	Unknown
John Layton	Unknown
Larae Casner	Unknown
Nina Jean Harges	Unknown
Ernest M. Layton and Loretta Layton Heirs	Unknown

Owners of unleased interests

Address

Willa Crowder	Unknown
Vernie Crowder	Unknown
Vivian Crowder	Unknown
Janice Crowder	Unknown
Loretta Gilliam	Unknown
Bessie May Collins, Estate	Unknown
Shirley Crowder, Estate	Unknown
Keith Woods	Unknown
J. Hudson Robinson	Unknown
Alma Hackey Heirs	Unknown



west virginia department of environmental protection

Oil and Gas Conservation Commission
601 57th Street, Charleston, WV 25304

Joe Manchin III, Governor
Stephanie R. Timmermeyer, Cabinet Secretary
www.wvdep.org

September 14, 2006

Charleston Newspaper
Attention: Legal Ad
P O Box 2993
Charleston, WV 25330

RE: Legal advertisement

Dear Sir:

Please publish the enclosed "Notice of Hearing" as a legal advertisement on Wednesday, September 27 and again on Wednesday, October 2, 2006 and send invoice to:

Oil and Gas Conservation Commission
601 57th Street, SE
Charleston, WV 25304

If you have any questions, please call me at 304.926.0499, ext 1656.

Sincerely,

Cindy Raines

Cindy Raines
Adm. Secretary

encl:

From: "Tinki Williams" <twilliams@chkenergy.com>
To: <BLOFLIN@WVDEP.ORG>
Date: 9/14/2006 11:31:24 AM
Subject: Proposed Well No. 825550 - Unit Block No. 1079

Brett,

We found addresses of two additional people who should also be noticed regarding the continuation of the hearing for proposed Well No. 825550:

Laura Campbell
9712 Indian Key Trail
Seminole, FL 33776

Beverly Henderson
5675 SR 776
Jackson, OH 45640

These individuals appear to own an interest in what has been designated Tract 39, containing .18 unit acres.

Tinki M. Williams for Keith Moffatt
Paralegal
Chesapeake Appalachia, L.L.C.
900 Pennsylvania Avenue
Charleston, WV 25302
(304) 353-5180
(304) 353-5234 fax

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CC: "Keith Moffatt" <kmoffatt@chkenergy.com>

From: "Tinki Williams" <twilliams@chkenergy.com>
To: <BLOFLIN@WVDEP.ORG>
Date: 9/14/2006 11:18:11 AM
Subject: Proposed Well No. 825550 - Unit Block No. 107

Brett,

Here is the address for Keith Woods:

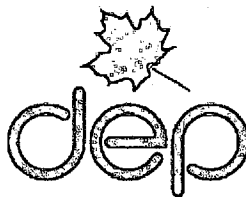
Keith Woods
HC 36, Box 301
Charleston, WV 25306

Please include Mr. Woods on your mailing for the continued hearing regarding proposed Well No. 825550.

Tinki M. Williams for Keith Moffatt
Paralegal
Chesapeake Appalachia, L.L.C.
900 Pennsylvania Avenue
Charleston, WV 25302
(304) 353-5180
(304) 353-5234 fax

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CC: "Keith Moffatt" <kmoffatt@chkenergy.com>



west virginia department of environmental protection

Oil and Gas Conservation Commission
601 57th Street, SE
Charleston, West Virginia 25301

Joe Manchin III, Governor
www.wvdep.org

BEFORE THE OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF WEST VIRGINIA

IN THE MATTER OF THE REQUEST BY CHESAPEAKE
APPALACHIA, LLC FOR AN ORDER FROM THE
COMMISSION POOLING TRACTS AND INTERESTS OF
OIL AND GAS OWNERS FOR THE DEVELOPMENT AND
OPERATION OF UNIT BLOCK #107 IN THE TUSCARORA
SANDSTONE POOL OF THE INDIAN CREEK FIELD,
MALDEN DISTRICT, KANAWHA COUNTY, WEST
VIRGINIA.

DOCKET NO. 173

CAUSE NO. 28

NOTICE OF CONTINUANCE

The Oil and Gas Conservation Commission in Cause 28, Order 1, established special field rules for the Tuscarora sandstone pool of the Indian Creek Field. The Order dictated that each drilling unit would encompass 640 acres and that each well shall be located not less than 1,500' from a unit boundary. Chesapeake is requesting an order from the Commission pooling the interests in tracts of certain owners (list attached) of the oil and gas in place in the Tuscarora formation in unit block #107 consistent with and pursuant to the provisions of WV Code 22C-9-7(b) as amended. The matter is set for:

DATE: October 12, 2006

TIME: 1:00 p.m.

PLACE: Department of Environmental Protection
Oil and Gas Conservation Commission
601 57th Street, SE
Charleston, WV 25304
(304)926-0499, Ext 1656

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF WEST VIRGINIA

By: _____

Barry K. Lay, Commissioner

Dated this 25th day of September, 2006, at Charleston, West Virginia.

Promoting a healthy environment.

Vernie Crowder
3605 Noyes Avenue, SE Apt. #5
Charleston, WV 25304

Willa and Vivian Crowder
5097 Hughes Creek Road
Hugheston, WV 25110

Janice Crowder
1200 South Barton Street
Arlington, VA 22204

Loretta Gillian, deceased
Bessie Collins, deceased
Shirley Crowder, deceased

**Owners of leased tracts without
Modification agreement**

Address

Victor V. Stover	Unknown
Dawn Kimberly Burris	Unknown
John Layton	Unknown
Larae Casner	Unknown
Nina Jean Harges	Unknown
✓ Ernest M. Layton and Loretta Layton Heirs	Unknown

Owners of unleased interests

Address

✓ Willa Crowder	Unknown
✓ Vernie Crowder	Unknown
✓ Vivian Crowder	Unknown
✓ Janice Crowder	Unknown
✓ Loretta Gilliam	Unknown
✓ Bessie May Collins, Estate	Unknown
✓ Shirley Crowder, Estate	Unknown
Keith Woods	Unknown
J. Hudson Robinson	Unknown
Alma Hackey Heirs	Unknown

ERNEST & Loretta
Deceased Layton of
Call Ray Bell
parents of

925-2514

asap

Chesapeake hearing

BEFORE THE OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF WEST VIRGINIA

IN THE MATTER OF THE REQUEST BY
CHESAPEAKE APPALACHIA, LLC
FOR AN ORDER FROM THE COMMISSION
POOLING TRACTS AND INTERESTS OF
OIL AND GAS OWNERS FOR THE
DEVELOPMENT AND OPERATION OF
UNIT BLOCK #107 IN THE TUSCARORA
SANDSTONE POOL OF THE INDIAN CREEK
FIELD, MALDEN DISTRICT, KANAWHA COUNTY,
WEST VIRGINIA.

DOCKET NO. 173

CAUSE NO. 28

COPY

Transcript of proceedings had and testimony adduced
at a hearing held in the aforementioned matter on
Thursday, the 12th day of October, 2006, beginning at 1:10
p.m., in the offices of the West Virginia Department of
Environmental Protection, 601 57th Street, S.E.,
Charleston, Kanawha County, West Virginia, before BRIAN K.
LAY, Commissioner.

ACCURATE REPORTING SERVICE, INC.
526 SEVENTH STREET
HUNTINGTON, WEST VIRGINIA 25701

(304) 345-9891 * (304) 522-9637 * (606) 329-2154

1 APPEARANCES: On behalf of the Commission:

2 BARRY K. LAY, Commission Chairman
3 Department of Environmental Protection
4 Oil and Gas Conservation Committee
5 601 57th Street
6 Charleston, West Virginia 25304

7 ANTHONY GUM, Commission Member
8 ROBERT L. RADABAUGH, Commission Member
9 JAMES MARTIN, OGCC
10 BRETT LOFLIN, OGCC Staff, Program Director

11 On behalf of the Applicant, Chesapeake
12 Appalachia, LLC:

13 ANTHONY A. WILHOIT, ESQUIRE
14 Chesapeake Appalachia, LLC
15 Post Office Box 6070
16 Charleston, West Virginia 25362-0070

17 APPLICANT WITNESSES: DX CX RDX RCX EXAM

18 Keith Moffatt 4 8 9

19 Ralph Parsons 10 15 15

20 Robert Paolini 16 19

21 Robert Schindler 20

22 Jeff Cable 22 24

23 EXHIBITS: MARKED

24 No. 1 - (Notice of Hearing with
25 Certified Receipt Cards Attached) 4

No. 2 - (Notice of Continuance) 4

No. 3 - (Affidavit of Publication) 4

No. 4 - (Unknown Interests) 4

No. 5 - (8/22/06 Letter from Chesapeake) 4

No. 6 - (Application) 4

Reporter's Certificate Page 29

1 COMMISSIONER LAY: Before the Oil and Gas
2 Conservation Commission of the State of West Virginia in
3 the matter of the request of Chesapeake Appalachia, LLC,
4 for an Order from the Commission pooling tracts and
5 interests of oil and gas owners for the development and
6 operations of unit block #107 in the Tuscarora Sandstone
7 pool of the Indian Creek Field, Malden District, Kanawha
8 County, West Virginia. This is Docket No. 173, Cause No.
9 28.

10 Let the record show that present are
11 members of the Commission, Anthony Gum, Bob Radabaugh,
12 Barry Lay, James Martin and members of staff, Brett
13 Loflin.

14 I'd like to place of record as Exhibit 1 a
15 copy of Notice of Hearing for September 14th, 2006, along
16 with the certified receipt cards collectively as Exhibit
17 1.

18 I'd like to place of record as Exhibit 2 a
19 copy of a Notice of Continuance granted until October the
20 12th, today.

21 Exhibit 3, the Affidavit of Publication.

22 Exhibit 4, a copy of the unknown
23 interests.

24 This becomes Exhibit 5, this letter from

1 Chesapeake, dated August 22nd, 2006 requesting a hearing.

2 And collectively as Exhibit 6 the
3 Application.

4 (Exhibits Nos. 1, 2, 3, 4, 5 & 6 were
5 subsequently marked for identification and are attached
6 hereto.)

7 At this time, the Commission will take
8 appearances.

9 MR. WILHOIT: Mr. Chairman, members of the
10 Commission, my name is Tony Wilhoit. I'm here on behalf
11 of the Applicant, Chesapeake Appalachia, LLC, and I have
12 brought witnesses to testify before this Commission, Mr.
13 Keith Moffatt, Mr. Ralph Parsons, Mr. Bob Paolini, Mr.
14 Robert Sinclair -- or Schindler, and Jeff Cable.

15 COMMISSIONER LAY: At this time, would the
16 court reporter please swear the witnesses?

17 (Witnesses sworn.)

18 COMMISSIONER LAY: You may proceed.

19 MR. WILHOIT: Thank you, Mr. Chairman.
20 We'd like to call the first witness being Mr. Keith
21 Moffatt.

22 KEITH MOFFATT, after having been first
23 previously duly sworn, was examined and testified as
24 follows:

1 DIRECT EXAMINATION

2 BY MR. WILHOIT:

3 Q. Mr. Moffatt, would you state your full name for
4 the record, please?

5 A. Keith Moffatt.

6 Q. How are you employed?

7 A. I'm an in-house attorney with Chesapeake
8 Appalachia.

9 Q. Are you familiar with the application that's
10 currently pending before this Board?

11 A. Yes, I am.

12 Q. And is the application filed pursuant to West
13 Virginia Code Chapter 22C, Article 9?

14 A. Yes, it is.

15 Q. And is Chesapeake Appalachia, LLC, an operator
16 within the meaning of the Code section?

17 A. Yes, it is.

18 Q. Are you familiar with any field rules that may
19 apply to this particular area that you're asking for the
20 order?

21 A. Yes. There are special field rules that apply
22 to this particular field, and I believe the order
23 establishing the field rules is dated August 29, 1979.

24 Q. All right. Do you know the size of the units

1 that have been formed by the special field rules?

2 A. Yes. The special field rules require drilling
3 units consisting of 640 acre units, and there is also a
4 spacing requirement which establishes that the well has to
5 be 1500 feet from the unit boundary lines.

6 Q. All right, sir. Now, the application is a
7 location for your well number 825550 in unit block #107.
8 Does the application for the permit contain a description
9 of the property, a plat showing where the well location is
10 proposed?

11 A. Yes, it does.

12 Q. Do you have copies of those plats attached to
13 the application?

14 A. Yes, sir, attached as Exhibits No. 1 and 2.

15 Q. All right, sir. And it's your testimony then
16 that this location that's depicted on Exhibits 1 and 2
17 comply with the special field rule requirements and the
18 spacing requirements of the Oil and Gas Conservation
19 Commission?

20 A. Yes, it does.

21 Q. All right, sir. To the best of your knowledge,
22 do you know of any other operator who desires to operate
23 in unit block #107?

24 A. No, I do not.

1 Q. Do you know of any other permitted deep well
2 locations within two miles of this proposed well?

3 A. No.

4 Q. Are you familiar then with the amount of
5 ownership that Chesapeake has in the block 107?

6 A. I know what the percentage of ownership is as of
7 the date the application was filed. I believe we have
8 testimony from other witnesses which will indicate there
9 have been changes in that number since the application was
10 filed.

11 Q. All right, sir. What was that number at the
12 time of application?

13 A. Eighty-eight percent.

14 Q. And that number has increased since the date of
15 the filing of it?

16 A. That is correct.

17 Q. All right, sir. Are you requesting then that
18 the Board or Commission enter an order designating the
19 applicant as the operator of unit block 107 and pooling
20 the interests and tracts of the owner of oil and gas
21 within this unit as depicted?

22 A. Yes, that's what Chesapeake is requesting.

23 Q. And will the granting of your application
24 foster, encourage and promote development, production,

1 utilization and conservation of oil and gas resources?

2 A. Yes, it will.

3 Q. Will it prohibit waste of oil and gas resources?

4 A. Yes, it will.

5 Q. Does it maximize, encourage the maximum recovery
6 of oil and gas?

7 A. Yes, it does.

8 Q. Does it interfere with any correlative rights of
9 any other operators, to the best of your knowledge?

10 A. No, it does not.

11 Q. And this order would not interfere with or alter
12 development of the spacing pattern of the total area
13 encompassed within the special field rules?

14 A. No, it would not.

15 MR. WILHOIT: That's all I have of this
16 witness.

17 COMMISSIONER LAY: Questions from members
18 of the Commission?

19 CROSS EXAMINATION

20 BY MR. RADABAUGH:

21 Q. Back to your second or third thing there toward
22 the end when you were talking about waste. Mr. Moffatt
23 was answering a question on waste, that it will promote
24 waste or will not promote waste?

1 MR. MOFFATT: It will not promote waste.

2 MR. WILHOIT: Prohibit waste.

3 MR. RADABAUH: Nothing further from me.

4 EXAMINATION

5 BY COMMISSIONER LAY:

6 Q. And you may not be the correct one, Mr. Moffatt,
7 to ask, but I have a difficult time -- the location itself
8 on Exhibit 1, is it depicted on tract 2?

9 A. Yes, it is.

10 Q. That is the location, it is located on tract 2?

11 A. That is correct.

12 Q. And to tract 2, we are not pooling any
13 individual on tract 2?

14 A. That's correct. The surface is owned by Posler,
15 which we do have the surface easement and consent and
16 Chesapeake owns the oil and gas underlying tract 2.

17 COMMISSIONER LAY: Marty?

18 MR. MARTIN: No questions.

19 COMMISSIONER LAY: Brett, any questions?

20 MR. LOFLIN: No questions.

21 COMMISSIONER LAY: You may call your next
22 witness.

23 MR. WILHOIT: Call Mr. Ralph Parsons.

24 RALPH PARSONS, after being first

1 previously duly sworn, was examined and testified as
2 follows:

3 DIRECT EXAMINATION

4 BY MR. WILHOIT:

5 Q. Mr. Parsons, would you state your full name for
6 the record, please?

7 A. Ralph Parsons, contract landman for Chesapeake.

8 Q. Mr. Parsons, are you familiar with this
9 application currently pending before this Commission?

10 A. Yes.

11 Q. And you are familiar with Exhibit No. 5 attached
12 to the application which is the Consent and Easement
13 Certificate?

14 A. Yes.

15 Q. Did you in fact acquire this Certificate of
16 Consent and Easement?

17 A. That's not --

18 Q. I'm sorry. Ralph, I'm sorry. I think I've got
19 the wrong set of questions for you.

20 A. Yes.

21 Q. In connection with this application, are you
22 familiar with the parties listed on Exhibit No. 6?

23 A. Yes.

24 Q. Okay. And these are the parties that at the

1 time of filing the application who were not pooled or
2 leased at that time; is that correct?

3 A. That's correct.

4 Q. Do you have information that you have gained
5 since that time establishing the parties who were unknown
6 at that time and unleased who are now known and leased?

7 A. Yes, I do. I also have a new listing they gave
8 me this morning which I did not have in my possession.

9 COMMISSIONER LAY: Can we clarify
10 something?

11 MR. WILHOIT: Okay.

12 COMMISSIONER LAY: This is Exhibit 6 of
13 the application, not exhibit 6 of --

14 MR. WILHOIT: Yeah, Exhibit 6 of the
15 application.

16 COMMISSIONER LAY: Okay.

17 BY MR. WILHOIT:

18 Q. Okay. With respect to tract number 1, are there
19 any changes in that?

20 A. That was Bob Paolini's tract.

21 Q. Okay. Tract number 5, are there any changes in
22 that?

23 A. I'm not -- not familiar with that one.

24 Q. Okay. Tract number 3 -- I mean, tract number

1 10?

2 A. That's the one I just have listed names and
3 addresses.

4 Q. Okay. That's the list that the Board, that the
5 Commission provided to you?

6 A. Excuse me?

7 Q. Is that the list that the Board provided to you
8 today?

9 A. Yes, that's correct, sir.

10 Q. And you'll take that listing and go try and
11 contact those people to offer them the --

12 A. Yes.

13 Q. -- opportunity to participate?

14 A. Yes.

15 Q. All right, sir. And tract number 15, are you
16 familiar with that tract; is that yours?

17 A. Yes. At the current time, all those are under
18 lease.

19 Q. They are what?

20 A. They are now under lease.

21 Q. Under lease, okay. So those parties are leased.
22 Tract 16, Mr. Woods?

23 A. Refused to lease.

24 Q. Okay. And he also owns an interest in tract 21

1 and tract 25 and has the same status on that one?

2 A. Yes, correct.

3 Q. So he remains on our list of respondents. Tract
4 17?

5 A. I'm not familiar with that one.

6 Q. Okay. Tract 18, is that yours?

7 A. Yes. I could not find any heirs after 1952 on
8 that party.

9 Q. And that would be tract 18 and 19; is that
10 correct?

11 A. That's correct.

12 Q. All right. What about tract 29, the Simpsons?

13 A. Refused. Contacted twice and refused to lease.

14 Q. Okay. And tract 39?

15 A. I have six out of the seven heirs currently in
16 the lease. The one left has been contacted by phone and
17 by mail.

18 Q. Do you have the name of that one person who
19 remains unleased?

20 A. Yes. Beverly Henderson.

21 Q. Okay. So we will be amending this on our order
22 to include Beverly Henderson as the only unleased person
23 in tract 39; is that correct?

24 A. That's correct.

1 Q. And you have attempted to contact her?

2 A. Yes.

3 Q. With respect to all these parties that you have
4 testified regarding, have you made a diligent effort to
5 contact those people who you have not been able to
6 contact?

7 A. Yes.

8 Q. What efforts have you used to try and contact
9 those people?

10 A. By mail and by phone.

11 Q. What sources have you used to try to identify --

12 A. Excuse me?

13 Q. What sort of sources have you used?

14 A. I also used the Internet trying to find the
15 heirs and deceased -- if they were deceased or not.

16 Q. Based on your experience as a professional, have
17 you, in your opinion, employed all methods known to you to
18 try to locate these people?

19 A. Yes.

20 Q. In fact, you have made a diligent effort?

21 A. Yes.

22 MR. WILHOIT: That's all I would have of
23 this witness.

24 COMMISSIONER LAY: Any questions?

1 CROSS EXAMINATION

2 BY MR. RADABAUGH:

3 Q. On the Internet and on the telephone, I assume
4 you did a lot of research, courthouse research?

5 A. Yes.

6 Q. Diligently?

7 A. Yes.

8 EXAMINATION

9 BY COMMISSIONER LAY:

10 Q. I think one of my questions is not a question,
11 but in fact a comment. The tract number 1 that the Board
12 supplied you -- or the Commission supplied you with an
13 address for a Kay Bell who is the heir of the unknown in
14 tract 1, Ernest and Loretta Clayton -- or Layton -- I'm
15 sorry?

16 A. I did not handle that particular tract.

17 MR. WILHOIT: That will be Mr. Paolini.

18 COMMISSIONER LAY: Okay. Sorry. I
19 thought he answered the question with regard to tract 1.
20 That's all the questions I have. Marty?

21 CROSS EXAMINATION

22 BY MR. MARTIN:

23 Q. I have one question. Did you testify that Mr.
24 and Mrs. Simpson on tract 29 would not lease?

1 A. Yes, I did.

2 Q. Should they show up on the list of -- perhaps I
3 don't have the right list -- owners of unleased interests?
4 I'm sorry. That was our mistake. I think it was our
5 lease.

6 COMMISSIONER LAY: Brett, any questions?

7 MR. LOFLIN: No, I don't have any
8 questions.

9 COMMISSIONER LAY: You may call your next
10 witness.

11 MR. WILHOIT: Mr. Bob Paolini.

12 MR. ROBERT PAOLINI, after being first
13 previously duly sworn, was examined and testified as
14 follows:

15 BY MR. WILHOIT:

16 Q. Would you state your full name for the record,
17 please?

18 A. Robert Paolini.

19 Q. And how are you employed, Mr. Paolini?

20 A. Senior landman for Chesapeake Appalachia.

21 Q. In connection with your work there, are you
22 familiar with the application currently pending before
23 this Commission?

24 A. Yes, I am.

1 Q. All right, sir. And you are in fact the person
2 who obtained the Certificate of Consent and Easement?

3 A. Yes, I did. That's correct.

4 Q. That's attached as Exhibit 5, correct?

5 A. That is correct.

6 Q. Also, you are familiar with some of the parties
7 listed on Exhibit 6 as unleased interests and --

8 A. Yes, sir.

9 Q. With respect to tract 1, is that one you worked
10 on?

11 A. Yes, it is.

12 Q. Is there any change in the list of owners as we
13 submitted with the application to date?

14 A. Not other than what I just found out today, the
15 list of names that the State provided, that's the only
16 change I know of.

17 Q. Okay. That's the one that we were provided with
18 today by the Commission, Ms. Kay Bell?

19 A. Yes.

20 Q. And you will attempt to contact her and offer
21 her an opportunity to participate?

22 A. Absolutely, yes.

23 Q. But she does remain an unleased interest; is
24 that correct?

1 A. Right.

2 Q. Well, let me correct that. The Laytons are --
3 they do have a lease, right?

4 A. Yeah. It's the CO₂ modification agreement we
5 need from them.

6 Q. The CO₂ is not leased?

7 A. Right.

8 Q. Make sure the Board understands the CO₂ is not
9 leased. That remains unleased. Now, with respect to
10 tract number 5, was that also your project?

11 A. Yes, it is.

12 Q. Is there any change in status on that?

13 A. No.

14 Q. There are still unleased interests?

15 A. It's an unleased interest.

16 Q. Tract number 17, Arch of West Virginia, is that
17 still an unleased tract?

18 A. Yes, sir, it is.

19 Q. And were you assigned any of these other tracts,
20 is there any change in any of these other tracts you were
21 assigned to?

22 A. No.

23 Q. So the only real change then would be in tract
24 1, the Kay Bell being an heir of the Laytons?

1 A. That's correct.

2 Q. All right, sir. In connection with your work in
3 trying to locate these people, did you in fact in your
4 professional opinion exercise due diligence in trying to
5 locate these unknown people?

6 A. Yes, I did. I searched courthouse records, I
7 searched the abstract we had from the 1980's when we
8 attempted to locate them at that time, and I did use the
9 Internet and telephone also trying to locate them.

10 MR. WILHOIT: That's all I have of this
11 witness.

12 COMMISSIONER LAY: Any questions?

13 MR. RADABAUGH: No questions.

14 COMMISSIONER LAY: Marty?

15 CROSS EXAMINATION

16 BY MR. MARTIN:

17 Q. What is the total percentage that you have
18 leased in the unit now as of today?

19 A. It's 88, I think he just said, and then we had a
20 few more leases. I haven't figured the percentage yet
21 from what Ralph has added.

22 MR. WILHOIT: Let me ask this. The people
23 that you have located and contacted, have they returned
24 the leases yet to you?

1 MR. PARSONS: All of them except for the
2 one, and I have contacted them, sir, and they haven't
3 returned anything.

4 MR. WILHOIT: And that was Mr. Parsons
5 testifying. We will submit a revised Exhibit 6 to you
6 setting out who has been leased and who remains unleased
7 and the totals. We'll do that with the order.

8 COMMISSIONER LAY: Anything else? Marty,
9 Brett, any questions?

10 MR. MARTIN: No.

11 MR. LOFLIN: No questions.

12 COMMISSIONER LAY: Call your next witness,
13 please.

14 MR. WILHOIT: Mr. Rob Schindler.

15 ROBERT SCHINDLER, after being first
16 previously duly sworn, was examined and testified as
17 follows:

18 BY MR. WILHOIT:

19 Q. Would you state your full name, please, for the
20 record?

21 A. Robert E. Schindler.

22 Q. And what is your position?

23 A. I am a senior drilling engineer, Chesapeake
24 Appalachia.

1 Q. In connection with this application currently
2 pending before the Commission, are you familiar with the
3 authority for expenditure, or AFE, which is attached as
4 Exhibit No. 4?

5 A. Yes, I am.

6 Q. Did you in fact prepare it?

7 A. Yes.

8 Q. All right, sir. What is the estimated costs for
9 a dry hole?

10 A. Estimated dry hole costs is \$603,457.

11 Q. And what would be the costs of a completion?

12 A. \$432,670.

13 Q. And does your AFE contain a provision for a
14 monthly operating charge?

15 A. No. That comes under Jeff's testimony.

16 Q. Okay. So -- all right, sir. Are you familiar
17 then also with Exhibit No. 1 and 2 as far as the location
18 of the well?

19 A. Are you familiar what?

20 Q. As far as the location of the well on Exhibits
21 No. 1 and 2?

22 A. Yes.

23 Q. Is that a correct location?

24 A. Yes.

1 Q. All right, sir.

2 MR. WILHOIT: I believe that's all the

3 questions I have of this witness.

4 MR. RADABAUGH: Nothing for me.

5 COMMISSIONER LAY: Call your next witness.

6 MR. WILHOIT: Okay, Mr. Jeff Cable.

7 JEFF CABLE, after being first previously

8 duly sworn, was examined and testified as follows:

9 BY MR. WILHOIT:

10 Q. Mr. Cable, would you state your name, please,

11 for the record?

12 A. Jeff Cable.

13 Q. And how are you employed, Mr. Cable?

14 A. I'm the senior reservoir engineer for Chesapeake

15 Energy?

16 A. All right, sir. In connection with your job,

17 are you familiar with the application currently pending

18 before this commission?

19 A. Yes, I am.

20 Q. And in connection with that, are you familiar

21 with the well that is proposed to be drilled?

22 A. Yes.

23 Q. Do you know what the estimated reserves are?

24 A. Yes. 1.8 bcf.

1 Q. All right, sir. Now, I'll ask you this
2 question. In connection with the operation of this well,
3 will Chesapeake be imposing a monthly operating fee?

4 A. Yes. The estimated operating -- monthly
5 operating fee will be \$876.45.

6 Q. All right. Is that fee based on actual costs?

7 A. That includes actual direct costs and overhead.

8 Q. All right, sir. In connection with the
9 application, are you familiar with the Exhibit No. 3
10 attached thereto?

11 A. Yes.

12 Q. And is it your testimony -- or let me ask you
13 this. Are there any other wells, deep wells within a two
14 mile radius of the proposed location?

15 A. Other than Tuscarora wells, no.

16 Q. And those Tuscarora wells are operated by you?

17 A. Yes.

18 MR. WILHOIT: That's all I have of this
19 witness.

20 EXAMINATION

21 BY COMMISSIONER LAY:

22 Q. Exactly the breakdown of the \$876 per month
23 operating fee, what portion of that is actual costs, what
24 portion is overhead?

1 A. \$609.38 would be actual, and \$167 overhead.

2 Q. What is included in your actual estimated costs?

3 A. That would be direct labor, vehicles, any
4 materials used to operate the wells.

5 Q. What type of materials would be involved in
6 that?

7 A. Well, just -- just the overall operation of the
8 field. The costs are basically split amongst all the
9 wells out in the field.

10 Q. That would include compression, stripping
11 facilities, all those --

12 A. Well, that -- that is -- that is a separate
13 issue because it's taken out of the CO₂ revenue part, the
14 compression and the separation. The \$609 is direct well
15 operation costs.

16 Q. And you're charging the balance to LOE?

17 A. Right.

18 Q. In another form?

19 A. (No response.)

20 Q. I mean, if it's LOE expense, shouldn't it be
21 included in this?

22 A. Well, it is. That \$609 is all -- is everything
23 included in the operation of the wells in the field.

24 Q. That's all in costs?

1 A. Right. The \$167 overhead would be the
2 Charleston --

3 Q. That's your corporate G&A?

4 A. Right.

5 Q. But the \$106 -- or the \$109 is all in LOE
6 expense to the entire --

7 A. \$609, right.

8 Q. And that is based on costs, not -- actual costs?

9 A. That's based on actual costs.

10 Q. And it varies monthly depending upon those
11 costs?

12 A. Yeah.

13 Q. Okay.

14 COMMISSIONER LAY: Marty, you have any
15 questions? Brett?

16 MR. LOFLIN: No, I don't have any
17 questions.

18 COMMISSIONER LAY: You may call your next
19 witness.

20 MR. WILHOIT: That would be all the
21 witnesses we would have today in this hearing, and I would
22 respectfully ask the Commission that they enter an order
23 designating this applicant as operator of the proposed
24 well in unit block 107 and interests of the unleased

1 owners and parties set out on Exhibit 6 be pooled, and
2 that the unit be formed and that an order be entered to
3 that effect. That would be all we have.

4 COMMISSIONER LAY: Any other questions
5 from the Commission?

6 (No response.)

7 COMMISSIONER LAY: We're off the record.

8 (A discussion was had off the record.)

9 COMMISSIONER LAY: We'll go back on the
10 record then. We're back on the record. Do we have a
11 motion?

12 MR. RADABAUGH: I'll make a motion to
13 grant the relief requested by Chesapeake to pool the
14 unknown and unleased interests. Also, Commission would
15 like to have an updated list of those leased persons.
16 Also, final costs after completion of well, we would like
17 to have a copy of those with it with reconciliation to the
18 estimates of the AFE. Also, that all costs for the
19 drilling and operating of the well reflects Chesapeake's
20 actual costs.

21 COMMISSIONER LAY: Do we have a second?

22 MR. GUM: Second that motion.

23 COMMISSIONER LAY: We have a motion and a
24 second. Any further discussion?

1 (No response.)

2 COMMISSIONER LAY: All those in favor of
3 the motion say aye.

4 (All members were in favor of the motion.)

5 COMMISSIONER LAY: Motion carried. I
6 would request that counsel for Chesapeake draft a -- or
7 prepare a draft order for staff to review and the
8 Commission to review as well.

9 MR. WILHOIT: Yes, sir.

10 COMMISSIONER LAY: Submit that to Mr.
11 Loflin. Anything else from members of the Commission?

12 MR. RADABAUGH: Nothing here.

13 COMMISSIONER LAY: Staff?

14 MR. MARTIN: The escrow language, did we
15 say something about the escrow language; was that in your
16 motion?

17 MR. RADABAUGH: No, it wasn't.

18 COMMISSIONER LAY: That's something we
19 probably -- I guess we need to address that outside the
20 motion, but your order should -- should stipulate how
21 you're going to handle the funds due to the unknowns that
22 cannot be located.

23 MR. WILHOIT: I'll have to look at the
24 order. I'm not sure.

1 COMMISSIONER LAY: Pardon me?
2 MR. WILHOIT: I'll have to look at the
3 order we've used in the past and see if it addresses that.
4 I'm not sure if it does or not.
5 COMMISSIONER LAY: I don't recall.
6 MR. MARTIN: I don't think it does either.
7 There might be something in the original where we
8 established the special field rules. There may be
9 something in there about it -- the unknowns, the monies
10 due being escrowed. I'm not sure either. We'll have to
11 go back and look.
12 COMMISSIONER LAY: Anything further from
13 the Commission or Staff?
14 (No response.)
15 COMMISSIONER LAY: Anything Chesapeake
16 wishes to put of record?
17 MR. WILHOIT: No.
18 COMMISSIONER LAY: Okay. We'll close the
19 record then. Thank you.
20 (The proceeding was concluded at 1:55
21 p.m.)

22 * * * * *
23
24

1 STATE OF WEST VIRGINIA,
2 COUNTY OF KANAWHA, to-wit:
3

4 I, Barbara E. Welsh, Court Reporter and Notary
5 Public, do hereby certify that the foregoing is, to the
6 best of my skill and ability, a true and accurate
7 transcript of all the proceedings had in the
8 aforementioned matter, as reported by me in stenographic
9 characters and transcribed into the English language.

10 Given under my hand this 18th day of October,
11 2006.
12

13 
14 Barbara E. Welsh, Court Reporter
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24

1 BEFORE THE OIL AND GAS CONSERVATION COMMISSION
2 OF THE STATE OF WEST VIRGINIA

3 *****
4

5 IN THE MATTER OF THE REQUEST BY
6 CHESAPEAKE APPALACHIA, LLC
7 FOR AN ORDER FROM THE COMMISSION
8 POOLING TRACTS AND INTERESTS OF
9 OIL AND GAS OWNERS FOR THE
10 DEVELOPMENT AND OPERATION OF
11 UNIT BLOCK #107 IN THE TUSCARORA
12 SANDSTONE POOL OF THE INDIAN CREEK
13 FIELD, MALDEN DISTRICT, KANAWHA COUNTY,
14 WEST VIRGINIA.

DOCKET NO. 173

CAUSE NO. 28

COPY

15 *****
16

17 Transcript of proceedings had and testimony adduced
18 at a hearing held in the aforementioned matter on
19 Thursday, the 12th day of October, 2006, beginning at 1:10
20 p.m., in the offices of the West Virginia Department of
21 Environmental Protection, 601 57th Street, S.E.,
22 Charleston, Kanawha County, West Virginia, before BRIAN K.
23 LAY, Commissioner.

24 ACCURATE REPORTING SERVICE, INC.
 526 SEVENTH STREET
 HUNTINGTON, WEST VIRGINIA 25701

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1 APPEARANCES: On behalf of the Commission:

2 BARRY K. LAY, Commission Chairman
3 Department of Environmental Protection
4 Oil and Gas Conservation Committee
5 601 57th Street
6 Charleston, West Virginia 25304

7 ANTHONY GUM, Commission Member
8 ROBERT L. RADABAUGH, Commission Member
9 JAMES MARTIN, OGCC
10 BRETT LOFLIN, OGCC Staff, Program Director

11 On behalf of the Applicant, Chesapeake
12 Appalachia, LLC:

13 ANTHONY A. WILHOIT, ESQUIRE
14 Chesapeake Appalachia, LLC
15 Post Office Box 6070
16 Charleston, West Virginia 25362-0070

17 APPLICANT WITNESSES: DX CX RDX RCX EXAM

18 Keith Moffatt 4 8 9
19 Ralph Parsons 10 15 15
20 Robert Paolini 16 19
21 Robert Schindler 20
22 Jeff Cable 22 24

23 EXHIBITS: MARKED

24 No. 1 - (Notice of Hearing with 4
Certified Receipt Cards Attached)
No. 2 - (Notice of Continuance) 4
No. 3 - (Affidavit of Publication) 4
No. 4 - (Unknown Interests) 4
No. 5 - (8/22/06 Letter from Chesapeake) 4
No. 6 - (Application) 4

Reporter's Certificate

Page 29

1 COMMISSIONER LAY: Before the Oil and Gas
2 Conservation Commission of the State of West Virginia in
3 the matter of the request of Chesapeake Appalachia, LLC,
4 for an Order from the Commission pooling tracts and
5 interests of oil and gas owners for the development and
6 operations of unit block #107 in the Tuscarora Sandstone
7 pool of the Indian Creek Field, Malden District, Kanawha
8 County, West Virginia. This is Docket No. 173, Cause No.
9 28.

10 Let the record show that present are
11 members of the Commission, Anthony Gum, Bob Radabaugh,
12 Barry Lay, James Martin and members of staff, Brett
13 Loflin.

14 I'd like to place of record as Exhibit 1 a
15 copy of Notice of Hearing for September 14th, 2006, along
16 with the certified receipt cards collectively as Exhibit
17 1.

18 I'd like to place of record as Exhibit 2 a
19 copy of a Notice of Continuance granted until October the
20 12th, today.

21 Exhibit 3, the Affidavit of Publication.

22 Exhibit 4, a copy of the unknown
23 interests.

24 This becomes Exhibit 5, this letter from

1 Chesapeake, dated August 22nd, 2006 requesting a hearing.

2 And collectively as Exhibit 6 the
3 Application.

4 (Exhibits Nos. 1, 2, 3, 4, 5 & 6 were
5 subsequently marked for identification and are attached
6 hereto.)

7 At this time, the Commission will take
8 appearances.

9 MR. WILHOIT: Mr. Chairman, members of the
10 Commission, my name is Tony Wilhoit. I'm here on behalf
11 of the Applicant, Chesapeake Appalachia, LLC, and I have
12 brought witnesses to testify before this Commission, Mr.
13 Keith Moffatt, Mr. Ralph Parsons, Mr. Bob Paolini, Mr.
14 Robert Sinclair -- or Schindler, and Jeff Cable.

15 COMMISSIONER LAY: At this time, would the
16 court reporter please swear the witnesses?

17 (Witnesses sworn.)

18 COMMISSIONER LAY: You may proceed.

19 MR. WILHOIT: Thank you, Mr. Chairman.
20 We'd like to call the first witness being Mr. Keith
21 Moffatt.

22 KEITH MOFFATT, after having been first
23 previously duly sworn, was examined and testified as
24 follows:

1 DIRECT EXAMINATION

2 BY MR. WILHOIT:

3 Q. Mr. Moffatt, would you state your full name for
4 the record, please?

5 A. Keith Moffatt.

6 Q. How are you employed?

7 A. I'm an in-house attorney with Chesapeake
8 Appalachia.

9 Q. Are you familiar with the application that's
10 currently pending before this Board?

11 A. Yes, I am.

12 Q. And is the application filed pursuant to West
13 Virginia Code Chapter 22C, Article 9?

14 A. Yes, it is.

15 Q. And is Chesapeake Appalachia, LLC, an operator
16 within the meaning of the Code section?

17 A. Yes, it is.

18 Q. Are you familiar with any field rules that may
19 apply to this particular area that you're asking for the
20 order?

21 A. Yes. There are special field rules that apply
22 to this particular field, and I believe the order
23 establishing the field rules is dated August 29, 1979.

24 Q. All right. Do you know the size of the units

1 that have been formed by the special field rules?

2 A. Yes. The special field rules require drilling
3 units consisting of 640 acre units, and there is also a
4 spacing requirement which establishes that the well has to
5 be 1500 feet from the unit boundary lines.

6 Q. All right, sir. Now, the application is a
7 location for your well number 825550 in unit block #107.
8 Does the application for the permit contain a description
9 of the property, a plat showing where the well location is
10 proposed?

11 A. Yes, it does.

12 Q. Do you have copies of those plats attached to
13 the application?

14 A. Yes, sir, attached as Exhibits No. 1 and 2.

15 Q. All right, sir. And it's your testimony then
16 that this location that's depicted on Exhibits 1 and 2
17 comply with the special field rule requirements and the
18 spacing requirements of the Oil and Gas Conservation
19 Commission?

20 A. Yes, it does.

21 Q. All right, sir. To the best of your knowledge,
22 do you know of any other operator who desires to operate
23 in unit block #107?

24 A. No, I do not.

1 Q. Do you know of any other permitted deep well
2 locations within two miles of this proposed well?

3 A. No.

4 Q. Are you familiar then with the amount of
5 ownership that Chesapeake has in the block 107?

6 A. I know what the percentage of ownership is as of
7 the date the application was filed. I believe we have
8 testimony from other witnesses which will indicate there
9 have been changes in that number since the application was
10 filed.

11 Q. All right, sir. What was that number at the
12 time of application?

13 A. Eighty-eight percent.

14 Q. And that number has increased since the date of
15 the filing of it?

16 A. That is correct.

17 Q. All right, sir. Are you requesting then that
18 the Board or Commission enter an order designating the
19 applicant as the operator of unit block 107 and pooling
20 the interests and tracts of the owner of oil and gas
21 within this unit as depicted?

22 A. Yes, that's what Chesapeake is requesting.

23 Q. And will the granting of your application
24 foster, encourage and promote development, production,

1 utilization and conservation of oil and gas resources?

2 A. Yes, it will.

3 Q. Will it prohibit waste of oil and gas resources?

4 A. Yes, it will.

5 Q. Does it maximize, encourage the maximum recovery
6 of oil and gas?

7 A. Yes, it does.

8 Q. Does it interfere with any correlative rights of
9 any other operators, to the best of your knowledge?

10 A. No, it does not.

11 Q. And this order would not interfere with or alter
12 development of the spacing pattern of the total area
13 encompassed within the special field rules?

14 A. No, it would not.

15 MR. WILHOIT: That's all I have of this
16 witness.

17 COMMISSIONER LAY: Questions from members
18 of the Commission?

19 CROSS EXAMINATION

20 BY MR. RADABAUGH:

21 Q. Back to your second or third thing there toward
22 the end when you were talking about waste. Mr. Moffatt
23 was answering a question on waste, that it will promote
24 waste or will not promote waste?

1 MR. MOFFATT: It will not promote waste.

2 MR. WILHOIT: Prohibit waste.

3 MR. RADABAUH: Nothing further from me.

4 EXAMINATION

5 BY COMMISSIONER LAY:

6 Q. And you may not be the correct one, Mr. Moffatt,
7 to ask, but I have a difficult time -- the location itself
8 on Exhibit 1, is it depicted on tract 2?

9 A. Yes, it is.

10 Q. That is the location, it is located on tract 2?

11 A. That is correct.

12 Q. And to tract 2, we are not pooling any
13 individual on tract 2?

14 A. That's correct. The surface is owned by Posler,
15 which we do have the surface easement and consent and
16 Chesapeake owns the oil and gas underlying tract 2.

17 COMMISSIONER LAY: Marty?

18 MR. MARTIN: No questions.

19 COMMISSIONER LAY: Brett, any questions?

20 MR. LOFLIN: No questions.

21 COMMISSIONER LAY: You may call your next
22 witness.

23 MR. WILHOIT: Call Mr. Ralph Parsons.

24 RALPH PARSONS, after being first

1 previously duly sworn, was examined and testified as
2 follows:

3 DIRECT EXAMINATION

4 BY MR. WILHOIT:

5 Q. Mr. Parsons, would you state your full name for
6 the record, please?

7 A. Ralph Parsons, contract landman for Chesapeake.

8 Q. Mr. Parsons, are you familiar with this
9 application currently pending before this Commission?

10 A. Yes.

11 Q. And you are familiar with Exhibit No. 5 attached
12 to the application which is the Consent and Easement
13 Certificate?

14 A. Yes.

15 Q. Did you in fact acquire this Certificate of
16 Consent and Easement?

17 A. That's not --

18 Q. I'm sorry. Ralph, I'm sorry. I think I've got
19 the wrong set of questions for you.

20 A. Yes.

21 Q. In connection with this application, are you
22 familiar with the parties listed on Exhibit No. 6?

23 A. Yes.

24 Q. Okay. And these are the parties that at the

1 time of filing the application who were not pooled or
2 leased at that time; is that correct?

3 A. That's correct.

4 Q. Do you have information that you have gained
5 since that time establishing the parties who were unknown
6 at that time and unleased who are now known and leased?

7 A. Yes, I do. I also have a new listing they gave
8 me this morning which I did not have in my possession.

9 COMMISSIONER LAY: Can we clarify
10 something?

11 MR. WILHOIT: Okay.

12 COMMISSIONER LAY: This is Exhibit 6 of
13 the application, not exhibit 6 of --

14 MR. WILHOIT: Yeah, Exhibit 6 of the
15 application.

16 COMMISSIONER LAY: Okay.

17 BY MR. WILHOIT:

18 Q. Okay. With respect to tract number 1, are there
19 any changes in that?

20 A. That was Bob Paolini's tract.

21 Q. Okay. Tract number 5, are there any changes in
22 that?

23 A. I'm not -- not familiar with that one.

24 Q. Okay. Tract number 3 -- I mean, tract number

1 10?

2 A. That's the one I just have listed names and
3 addresses.

4 Q. Okay. That's the list that the Board, that the
5 Commission provided to you?

6 A. Excuse me?

7 Q. Is that the list that the Board provided to you
8 today?

9 A. Yes, that's correct, sir.

10 Q. And you'll take that listing and go try and
11 contact those people to offer them the --

12 A. Yes.

13 Q. -- opportunity to participate?

14 A. Yes.

15 Q. All right, sir. And tract number 15, are you
16 familiar with that tract; is that yours?

17 A. Yes. At the current time, all those are under
18 lease.

19 Q. They are what?

20 A. They are now under lease.

21 Q. Under lease, okay. So those parties are leased.
22 Tract 16, Mr. Woods?

23 A. Refused to lease.

24 Q. Okay. And he also owns an interest in tract 21

1 and tract 25 and has the same status on that one?
2 A. Yes, correct.
3 Q. So he remains on our list of respondents. Tract
4 17?
5 A. I'm not familiar with that one.
6 Q. Okay. Tract 18, is that yours?
7 A. Yes. I could not find any heirs after 1952 on
8 that party.
9 Q. And that would be tract 18 and 19; is that
10 correct?
11 A. That's correct.
12 Q. All right. What about tract 29, the Simpsons?
13 A. Refused. Contacted twice and refused to lease.
14 Q. Okay. And tract 39?
15 A. I have six out of the seven heirs currently in
16 the lease. The one left has been contacted by phone and
17 by mail.
18 Q. Do you have the name of that one person who
19 remains unleased?
20 A. Yes. Beverly Henderson.
21 Q. Okay. So we will be amending this on our order
22 to include Beverly Henderson as the only unleased person
23 in tract 39; is that correct?
24 A. That's correct.

1 Q. And you have attempted to contact her?

2 A. Yes.

3 Q. With respect to all these parties that you have
4 testified regarding, have you made a diligent effort to
5 contact those people who you have not been able to
6 contact?

7 A. Yes.

8 Q. What efforts have you used to try and contact
9 those people?

10 A. By mail and by phone.

11 Q. What sources have you used to try to identify --

12 A. Excuse me?

13 Q. What sort of sources have you used?

14 A. I also used the Internet trying to find the
15 heirs and deceased -- if they were deceased or not.

16 Q. Based on your experience as a professional, have
17 you, in your opinion, employed all methods known to you to
18 try to locate these people?

19 A. Yes.

20 Q. In fact, you have made a diligent effort?

21 A. Yes.

22 MR. WILHOIT: That's all I would have of
23 this witness.

24 COMMISSIONER LAY: Any questions?

1 CROSS EXAMINATION

2 BY MR. RADABAUGH:

3 Q. On the Internet and on the telephone, I assume
4 you did a lot of research, courthouse research?

5 A. Yes.

6 Q. Diligently?

7 A. Yes.

8 EXAMINATION

9 BY COMMISSIONER LAY:

10 Q. I think one of my questions is not a question,
11 but in fact a comment. The tract number 1 that the Board
12 supplied you -- or the Commission supplied you with an
13 address for a Kay Bell who is the heir of the unknown in
14 tract 1, Ernest and Loretta Clayton -- or Layton -- I'm
15 sorry?

16 A. I did not handle that particular tract.

17 MR. WILHOIT: That will be Mr. Paolini.

18 COMMISSIONER LAY: Okay. Sorry. I
19 thought he answered the question with regard to tract 1.
20 That's all the questions I have. Marty?

21 CROSS EXAMINATION

22 BY MR. MARTIN:

23 Q. I have one question. Did you testify that Mr.
24 and Mrs. Simpson on tract 29 would not lease?

1 A. Yes, I did.

2 Q. Should they show up on the list of -- perhaps I
3 don't have the right list -- owners of unleased interests?
4 I'm sorry. That was our mistake. I think it was our
5 lease.

6 COMMISSIONER LAY: Brett, any questions?

7 MR. LOFLIN: No, I don't have any
8 questions.

9 COMMISSIONER LAY: You may call your next
10 witness.

11 MR. WILHOIT: Mr. Bob Paolini.

12 MR. ROBERT PAOLINI, after being first
13 previously duly sworn, was examined and testified as
14 follows:

15 BY MR. WILHOIT:

16 Q. Would you state your full name for the record,
17 please?

18 A. Robert Paolini.

19 Q. And how are you employed, Mr. Paolini?

20 A. Senior landman for Chesapeake Appalachia.

21 Q. In connection with your work there, are you
22 familiar with the application currently pending before
23 this Commission?

24 A. Yes, I am.

1 Q. All right, sir. And you are in fact the person
2 who obtained the Certificate of Consent and Easement?

3 A. Yes, I did. That's correct.

4 Q. That's attached as Exhibit 5, correct?

5 A. That is correct.

6 Q. Also, you are familiar with some of the parties
7 listed on Exhibit 6 as unleased interests and --

8 A. Yes, sir.

9 Q. With respect to tract 1, is that one you worked
10 on?

11 A. Yes, it is.

12 Q. Is there any change in the list of owners as we
13 submitted with the application to date?

14 A. Not other than what I just found out today, the
15 list of names that the State provided, that's the only
16 change I know of.

17 Q. Okay. That's the one that we were provided with
18 today by the Commission, Ms. Kay Bell?

19 A. Yes.

20 Q. And you will attempt to contact her and offer
21 her an opportunity to participate?

22 A. Absolutely, yes.

23 Q. But she does remain an unleased interest; is
24 that correct?

1 A. Right.

2 Q. Well, let me correct that. The Laytons are --
3 they do have a lease, right?

4 A. Yeah. It's the CO₂ modification agreement we
5 need from them.

6 Q. The CO₂ is not leased?

7 A. Right.

8 Q. Make sure the Board understands the CO₂ is not
9 leased. That remains unleased. Now, with respect to
10 tract number 5, was that also your project?

11 A. Yes, it is.

12 Q. Is there any change in status on that?

13 A. No.

14 Q. There are still unleased interests?

15 A. It's an unleased interest.

16 Q. Tract number 17, Arch of West Virginia, is that
17 still an unleased tract?

18 A. Yes, sir, it is.

19 Q. And were you assigned any of these other tracts,
20 is there any change in any of these other tracts you were
21 assigned to?

22 A. No.

23 Q. So the only real change then would be in tract
24 1, the Kay Bell being an heir of the Laytons?

1 A. That's correct.

2 Q. All right, sir. In connection with your work in
3 trying to locate these people, did you in fact in your
4 professional opinion exercise due diligence in trying to
5 locate these unknown people?

6 A. Yes, I did. I searched courthouse records, I
7 searched the abstract we had from the 1980's when we
8 attempted to locate them at that time, and I did use the
9 Internet and telephone also trying to locate them.

10 MR. WILHOIT: That's all I have of this
11 witness.

12 COMMISSIONER LAY: Any questions?

13 MR. RADABAUGH: No questions.

14 COMMISSIONER LAY: Marty?

15 CROSS EXAMINATION

16 BY MR. MARTIN:

17 Q. What is the total percentage that you have
18 leased in the unit now as of today?

19 A. It's 88, I think he just said, and then we had a
20 few more leases. I haven't figured the percentage yet
21 from what Ralph has added.

22 MR. WILHOIT: Let me ask this. The people
23 that you have located and contacted, have they returned
24 the leases yet to you?

1 MR. PARSONS: All of them except for the
2 one, and I have contacted them, sir, and they haven't
3 returned anything.

4 MR. WILHOIT: And that was Mr. Parsons
5 testifying. We will submit a revised Exhibit 6 to you
6 setting out who has been leased and who remains unleased
7 and the totals. We'll do that with the order.

8 COMMISSIONER LAY: Anything else? Marty,
9 Brett, any questions?

10 MR. MARTIN: No.

11 MR. LOFLIN: No questions.

12 COMMISSIONER LAY: Call your next witness,
13 please.

14 MR. WILHOIT: Mr. Rob Schindler.

15 ROBERT SCHINDLER, after being first
16 previously duly sworn, was examined and testified as
17 follows:

18 BY MR. WILHOIT:

19 Q. Would you state your full name, please, for the
20 record?

21 A. Robert E. Schindler.

22 Q. And what is your position?

23 A. I am a senior drilling engineer, Chesapeake
24 Appalachia.

1 Q. In connection with this application currently
2 pending before the Commission, are you familiar with the
3 authority for expenditure, or AFE, which is attached as
4 Exhibit No. 4?

5 A. Yes, I am.

6 Q. Did you in fact prepare it?

7 A. Yes.

8 Q. All right, sir. What is the estimated costs for
9 a dry hole?

10 A. Estimated dry hole costs is \$603,457.

11 Q. And what would be the costs of a completion?

12 A. \$432,670.

13 Q. And does your AFE contain a provision for a
14 monthly operating charge?

15 A. No. That comes under Jeff's testimony.

16 Q. Okay. So -- all right, sir. Are you familiar
17 then also with Exhibit No. 1 and 2 as far as the location
18 of the well?

19 A. Are you familiar what?

20 Q. As far as the location of the well on Exhibits
21 No. 1 and 2?

22 A. Yes.

23 Q. Is that a correct location?

24 A. Yes.

1 Q. All right, sir.

2 MR. WILHOIT: I believe that's all the
3 questions I have of this witness.

4 MR. RADABAUGH: Nothing for me.

5 COMMISSIONER LAY: Call your next witness.

6 MR. WILHOIT: Okay, Mr. Jeff Cable.

7 JEFF CABLE, after being first previously
8 duly sworn, was examined and testified as follows:

9 BY MR. WILHOIT:

10 Q. Mr. Cable, would you state your name, please,
11 for the record?

12 A. Jeff Cable.

13 Q. And how are you employed, Mr. Cable?

14 A. I'm the senior reservoir engineer for Chesapeake
15 Energy?

16 A. All right, sir. In connection with your job,
17 are you familiar with the application currently pending
18 before this commission?

19 A. Yes, I am.

20 Q. And in connection with that, are you familiar
21 with the well that is proposed to be drilled?

22 A. Yes.

23 Q. Do you know what the estimated reserves are?

24 A. Yes. 1.8 bcf.

1 Q. All right, sir. Now, I'll ask you this
2 question. In connection with the operation of this well,
3 will Chesapeake be imposing a monthly operating fee?

4 A. Yes. The estimated operating -- monthly
5 operating fee will be \$876.45.

6 Q. All right. Is that fee based on actual costs?

7 A. That includes actual direct costs and overhead.

8 Q. All right, sir. In connection with the
9 application, are you familiar with the Exhibit No. 3
10 attached thereto?

11 A. Yes.

12 Q. And is it your testimony -- or let me ask you
13 this. Are there any other wells, deep wells within a two
14 mile radius of the proposed location?

15 A. Other than Tuscarora wells, no.

16 Q. And those Tuscarora wells are operated by you?

17 A. Yes.

18 MR. WILHOIT: That's all I have of this
19 witness.

20 EXAMINATION

21 BY COMMISSIONER LAY:

22 Q. Exactly the breakdown of the \$876 per month
23 operating fee, what portion of that is actual costs, what
24 portion is overhead?

1 A. \$609.38 would be actual, and \$167 overhead.

2 Q. What is included in your actual estimated costs?

3 A. That would be direct labor, vehicles, any
4 materials used to operate the wells.

5 Q. What type of materials would be involved in
6 that?

7 A. Well, just -- just the overall operation of the
8 field. The costs are basically split amongst all the
9 wells out in the field.

10 Q. That would include compression, stripping
11 facilities, all those --

12 A. Well, that -- that is -- that is a separate
13 issue because it's taken out of the CO₂ revenue part, the
14 compression and the separation. The \$609 is direct well
15 operation costs.

16 Q. And you're charging the balance to LOE?

17 A. Right.

18 Q. In another form?

19 A. (No response.)

20 Q. I mean, if it's LOE expense, shouldn't it be
21 included in this?

22 A. Well, it is. That \$609 is all -- is everything
23 included in the operation of the wells in the field.

24 Q. That's all in costs?

1 A. Right. The \$167 overhead would be the
2 Charleston --

3 Q. That's your corporate G&A?

4 A. Right.

5 Q. But the \$106 -- or the \$109 is all in LOE
6 expense to the entire --

7 A. \$609, right.

8 Q. And that is based on costs, not -- actual costs?

9 A. That's based on actual costs.

10 Q. And it varies monthly depending upon those
11 costs?

12 A. Yeah.

13 Q. Okay.

14 COMMISSIONER LAY: Marty, you have any
15 questions? Brett?

16 MR. LOFLIN: No, I don't have any
17 questions.

18 COMMISSIONER LAY: You may call your next
19 witness.

20 MR. WILHOIT: That would be all the
21 witnesses we would have today in this hearing, and I would
22 respectfully ask the Commission that they enter an order
23 designating this applicant as operator of the proposed
24 well in unit block 107 and interests of the unleased

1 owners and parties set out on Exhibit 6 be pooled, and
2 that the unit be formed and that an order be entered to
3 that effect. That would be all we have.

4 COMMISSIONER LAY: Any other questions
5 from the Commission?

6 (No response.)

7 COMMISSIONER LAY: We're off the record.

8 (A discussion was had off the record.)

9 COMMISSIONER LAY: We'll go back on the
10 record then. We're back on the record. Do we have a
11 motion?

12 MR. RADABAUGH: I'll make a motion to
13 grant the relief requested by Chesapeake to pool the
14 unknown and unleased interests. Also, Commission would
15 like to have an updated list of those leased persons.
16 Also, final costs after completion of well, we would like
17 to have a copy of those with it with reconciliation to the
18 estimates of the AFE. Also, that all costs for the
19 drilling and operating of the well reflects Chesapeake's
20 actual costs.

21 COMMISSIONER LAY: Do we have a second?

22 MR. GUM: Second that motion.

23 COMMISSIONER LAY: We have a motion and a
24 second. Any further discussion?

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(No response.)

COMMISSIONER LAY: All those in favor of
the motion say aye.

(All members were in favor of the motion.)

COMMISSIONER LAY: Motion carried. I
would request that counsel for Chesapeake draft a -- or
prepare a draft order for staff to review and the
Commission to review as well.

MR. WILHOIT: Yes, sir.

COMMISSIONER LAY: Submit that to Mr.
Loflin. Anything else from members of the Commission?

MR. RADABAUGH: Nothing here.

COMMISSIONER LAY: Staff?

MR. MARTIN: The escrow language, did we
say something about the escrow language; was that in your
motion?

MR. RADABAUGH: No, it wasn't.

COMMISSIONER LAY: That's something we
probably -- I guess we need to address that outside the
motion, but your order should -- should stipulate how
you're going to handle the funds due to the unknowns that
cannot be located.

MR. WILHOIT: I'll have to look at the
order. I'm not sure.

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COMMISSIONER LAY: Pardon me?

MR. WILHOIT: I'll have to look at the order we've used in the past and see if it addresses that. I'm not sure if it does or not.

COMMISSIONER LAY: I don't recall.

MR. MARTIN: I don't think it does either. There might be something in the original where we established the special field rules. There may be something in there about it -- the unknowns, the monies due being escrowed. I'm not sure either. We'll have to go back and look.

COMMISSIONER LAY: Anything further from the Commission or Staff?

(No response.)

COMMISSIONER LAY: Anything Chesapeake wishes to put of record?

MR. WILHOIT: No.

COMMISSIONER LAY: Okay. We'll close the record then. Thank you.

(The proceeding was concluded at 1:55 p.m.)

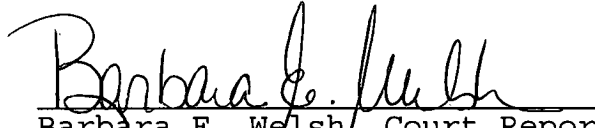
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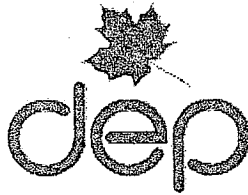
1 STATE OF WEST VIRGINIA,

2 COUNTY OF KANAWHA, to-wit:

3
4 I, Barbara E. Welsh, Court Reporter and Notary
5 Public, do hereby certify that the foregoing is, to the
6 best of my skill and ability, a true and accurate
7 transcript of all the proceedings had in the
8 aforementioned matter, as reported by me in stenographic
9 characters and transcribed into the English language.

10 Given under my hand this 18th day of October,
11 2006.

12
13 
14 Barbara E. Welsh, Court Reporter
15
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west virginia department of environmental protection

Oil and Gas Conservation Commission
601 57th Street, SE
Charleston, West Virginia 25301

Joe Manchin III, Governor
www.wvdep.org

BEFORE THE OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF WEST VIRGINIA

IN THE MATTER OF THE REQUEST BY CHESAPEAKE
APPALACHIA, LLC FOR AN ORDER FROM THE
COMMISSION POOLING TRACTS AND INTERESTS OF
OIL AND GAS OWNERS FOR THE DEVELOPMENT AND
OPERATION OF UNIT BLOCK #107 IN THE TUSCARORA
SANDSTONE POOL OF THE INDIAN CREEK FIELD,
MALDEN DISTRICT, KANAWHA COUNTY, WEST
VIRGINIA.

DOCKET NO. 173

CAUSE NO. 28

NOTICE OF HEARING

The Oil and Gas Conservation Commission in Cause 28, Order 1, established special field rules for the Tuscarora sandstone pool of the Indian Creek Field. The Order dictated that each drilling unit would encompass 640 acres and that each well shall be located not less than 1,500' from a unit boundary. Chesapeake is requesting an order from the Commission pooling the interests in tracts of certain owners (list attached) of the oil and gas in place in the Tuscarora formation in unit block #107 consistent with and pursuant to the provisions of WV Code 22C-9-7(b) as amended. The matter is set for:

DATE: September 14, 2006

TIME: 10:00 am

PLACE: Department of Environmental Protection
Oil and Gas Conservation Commission
601 57th Street, SE
Charleston, WV 25304
(304)926-0499, Ext 1656

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF WEST VIRGINIA

By: 

Barry K. Lay, Commissioner

Dated this 23rd day of August, 2006, at Charleston, West Virginia.



LAW DEPARTMENT

August 22, 2006

Oil and Gas Conservation Commission
Department of Environmental Protection
601 – 57th Street
Charleston, WV 25304

Attention: Cindy Raines

Re: In the Matter of the Application of Chesapeake Appalachia, L.L.C. for an Order from the Commission Pooling Tracts and Interests of Oil and Gas Owners in the Absence of a Voluntary Agreement for The Development and Operation of Unit Block 107 in the Tuscarora Sandstone Pool of the Indian Creek Field, Malden District, Kanawha County, West Virginia, Pursuant to West Virginia Code 22C-9-7(b), As Amended

Dear Ms. Raines:

Enclosed for filing is Chesapeake Appalachia, L.L.C.'s Application in the captioned matter. If everything is in order, please set the matter for hearing and advise us of the time and date. If you have any questions or need additional information, please call me.

Sincerely,

A handwritten signature in cursive script that reads "Tinki M. Williams".

Tinki M. Williams

Enclosure

Tinki M. Williams
Paralegal
900 Pennsylvania Avenue
P. O. Box 6070
Charleston, WV 25362-0070
DD: 304.353.5180
Fax: 304.353.5234
Email: twilliams@chkenergy.com

L:\Tinki\Force Pooling\WellNo825550\Filing.8.22.06.doc

**BEFORE THE OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF WEST VIRGINIA**

IN THE MATTER OF THE APPLICATION OF CHESAPEAKE)
APPALACHIA, L. L. C. FOR AN ORDER FROM THE)
COMMISSION POOLING TRACTS AND INTERESTS OF)
OIL AND GAS OWNERS IN THE ABSENCE OF A VOLUNTARY)
AGREEMENT FOR THE DEVELOPMENT AND OPERATION)
OF UNIT BLOCK 107 IN THE TUSCARORA SANDSTONE)
POOL OF THE INDIAN CREEK FIELD, MALDEN DISTRICT,)
KANAWHA COUNTY, WEST VIRGINIA, PURSUANT)
TO WEST VIRGINIA CODE 22C-9-7(b), AS AMENDED.)

DOCKET NO. _____

CAUSE NO. _____

A P P L I C A T I O N

Comes now the Applicant, Chesapeake Appalachia, L. L. C., a limited liability company, and states the following:

1. This Application is filed pursuant to West Virginia Code 22C-9-7(b), as amended.
2. Applicant is an operator within the meaning of West Virginia Code 22C-9-2(4).
3. By Order entered on the 29th day of August, 1979, the Commission established jurisdiction over Applicant's deep well drilling program in the Indian Creek Field, and further established Special Field Rules for the Tuscarora Sandstone Pool of said Field situate in Kanawha County, West Virginia.
4. That said pool and Field have been identified by Exhibits filed in previous Hearings before the Commission and that the drilling units formed in said Field are comprised of six hundred forty (640) acres each.
5. Applicant has filed an application for a drilling permit with the West Virginia Department of Mines, Oil and Gas Division, for the drilling of its proposed Well No. 825550 in Unit Block 107 of the Indian Creek Field. The proposed location of said well is more particularly shown and identified on Applicant's Exhibit Nos. 1 and 2, attached hereto and made a part hereof.
6. To the best of Applicant's knowledge, no operator, other than the Applicant, desires to operate Unit Block No. 107. Further, there are no operators, other than Applicant, of permitted deep well locations within two (2) miles of the proposed location of Well No. 825550, as shown on Applicant's Exhibit No. 3, attached hereto and made a part hereof.
7. Applicant estimates that the dry hole and completion costs for Well No. 825550 and associated well line are \$603,457 and \$432,670, respectively, as shown on Applicant's Exhibit No. 4, attached hereto and made a part hereof.
8. In compliance with West Virginia Code, 22C-9-7(b)(4), as amended, Applicant has obtained a Certificate of Consent and Easement Agreement from the surface owner of the tract of land upon which Well No. 825550 is to be drilled, a copy of which is attached hereto and made a part hereof as Applicant's Exhibit No. 5.
9. Applicant has obtained Lease Agreements from over 88% of the oil and gas owners in Unit Block 107 of the Indian Creek Field. The owners of the oil and gas who have not entered

into a lease or signed a voluntary modification agreement are shown on Applicant's Exhibit No. 6, attached hereto and made a part hereof.

10. Applicant has made reasonable efforts to locate and/or obtain leases or voluntary Unitization Agreements from the owners of the unleased tracts. However, to date, these efforts have been unsuccessful.


11. Applicant represents that unless an Order is entered by the Commission designating Applicant as operator of Unit Block No. 107 and pooling the interests and tracts of the owners of the oil and gas in place within this unit, the oil and gas within the Tuscarora Formation underlying the tracts within Unit Block No. 107 will not otherwise be produced and developed.

12. Based on the above, Applicant respectfully represents that the granting of the relief requested in this Application will:

- (a) Foster, encourage and promote development, production, utilization, and conservation of oil and gas resources;
- (b) Prohibit waste of oil and gas resources;
- (c) Encourage the maximum recovery of oil and gas in Unit Block No. 107;
- (d) Not interfere with the correlative rights of other operators insofar as their interest may be provided for in accordance with West Virginia Code, 22C-9-7(b) as amended; and
- (e) Not interfere with or alter development of the spacing pattern of the total area encompassed within the Special Field Rules.

WHEREFORE, Applicant respectfully requests that the Commission enter an Order (i) designating Applicant as operator of its proposed Well No. 825550 in Unit Block No. 107; (ii) pooling the interests and tracts of the unleased owners of the oil and gas in place in the Tuscarora Formation in Unit Block No. 107 consistent with and pursuant to the provisions of West Virginia Code, 22C-9-7(b) as amended, and (iii) granting the Applicant such other relief, both general and special in nature, as to the Commission deems just and fair.

CHESAPEAKE APPALACHIA, L. L. C.,
A limited liability company
By Counsel


ANTHONY A. WILHOIT
COUNSEL FOR APPLICANT
Chesapeake Appalachia, L. L. C.
P. O. Box 6070
Charleston, West Virginia 25362-0070

Chesapeake Well No. 825550

Lease No. 1017417-000

CERTIFICATE OF CONSENT AND EASEMENT

This Certificate of Consent and Easement, made and entered into this 29th day of June, 2006, by and between POSLER LIMITED PARTNERSHIP, By DICKINSON FUEL COMPANY, INC., a West Virginia corporation, General Partner, P.O. Box 311, Charleston, West Virginia 25321 (hereinafter "Grantor(s)"); and **Chesapeake Appalachia, L.L.C.**, an Oklahoma limited liability company the surviving entity of the merger with Columbia Natural Resources, LLC (hereinafter "Chesapeake").

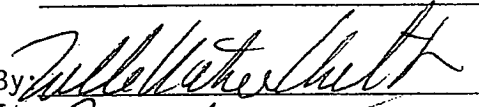
That in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Grantor(s), being sole owner/all the owners of the surface of that certain lot, tract or parcel of land located in Malden District, Kanawha County, State of West Virginia, shown on the Well Location Plat, dated April 28, 2006, attached hereto and made a part hereof, hereby consent and grant an easement, pursuant to West Virginia Code, Section 22C-9-7(B)(4) and Operating Rule 4.4 of the Rules and Regulations of the West Virginia Oil and Gas Conservation Commission, to Chesapeake, its successors or assigns, for the drilling and operation of a deep well for the production of oil or gas at the location shown on the attached Well Location Plat, with ingress and egress to and from the same.

This agreement may be executed in one or more counterparts, each of which shall be deemed original, and all of which together shall constitute one and the same instrument. If for any reason, any party named herein fails to execute this contract, it shall nevertheless, be binding upon the signing parties.

DECLARATION OF CONSIDERATION OF VALUE: Grantor(s) does (do) hereby declare that this document is exempt from excise tax on the privilege of transferring real estate for the following reason: The value of the property transferred by this document is less than One Hundred Dollars (\$100.00).

WITNESS the following signatures:

POSLER LIMITED PARTNERSHIP, By
DICKINSON FUEL COMPANY, INC., a West
Virginia corporation, General Partner

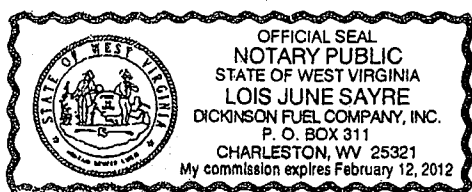
By: 
Its President

STATE OF WEST VIRGINIA

COUNTY OF KANAWHA

On this 29th day of June, 2006, before me,
Lois June Sayre
Nelle Rattie Chilton a Notary Public, came

to me known (or to me satisfactorily proven) to be the individual(s) described in, and who executed the foregoing instrument and acknowledged that he/she/they executed the same for the purposes therein contained.



Lois June Sayre
Notary Public

My commission expires: February 12, 2012

STATE OF WEST VIRGINIA

COUNTY OF _____

On this _____ day of _____, 200____, before me,
_____ a Notary Public, came

to me known (or to me satisfactorily proven) to be the individual(s) described in, and who executed the foregoing instrument and acknowledged that he/she/they executed the same for the purposes therein contained.

Notary Public

My commission expires: _____

This instrument prepared by:
Chesapeake Appalachia, L.L.C.
P. O. Box 6070
Charleston, WV 25362-0070



BUDGET NO. _____ AFE NO. 825550
 MISCELLANEOUS ASSIGNMENT NO. _____

Description and Justification: *Drill and complete new Indian Creek well # 825550*

Twp. / Dist. Malden County Kanawha State WV
 Est. Start Date _____ Est. Compl. Date _____ Est. T.D. 6760 Est. SIP 755
 Formations Tuscarora Lease (name-no./ Co.) _____ Block 107
 Region SE Tax Partnership _____ Operator CHK
 Prospect / Field Indian Creek Prepared by Schindler Prepared date 08/11/06
 Net Revenue Interest _____ % Working Interest _____ % Cost Interest _____ %

INTANGIBLES

			Dry hole	Completion	Total	Net
Contract Drilling	5310 ft. @ \$24 / ft.		\$127,440		\$127,440	
Contract Day Work						
Drilling	7 d. @ \$10,200 / d.		\$71,400	\$0	\$71,400	
Log/Perf/Comp/ Coring	2 d. @ \$10,200 / d.		\$20,400	\$0	\$20,400	
Other	d. @ \$0 / d.		\$0	\$0	\$0	
Company Labor & Consultant			\$10,000	\$5,000	\$15,000	
Road & Location (Inc. Reclamation & Damage)			\$30,000	\$10,000	\$40,000	
Trucking & Hauling			\$15,000	\$8,000	\$23,000	
Rental of Equipment incl. mud pump			\$12,000	\$4,000	\$16,000	
Service Rig	12 d. @ \$2,000 / d.		\$0	\$24,000	\$24,000	
Cementing Mt'l and Services			\$45,000	\$15,000	\$60,000	
Logging			\$17,500	\$5,000	\$22,500	
Perforating			\$0	\$6,000	\$6,000	
Stimulating			\$0	\$105,000	\$105,000	
Other Contract Service Towing, H2S, flowback, etc.			\$15,000	\$10,000	\$25,000	
Personal and Travel Expenses			\$1,000	\$500	\$1,500	
Company Equipment and General Tools			\$1,000	\$500	\$1,500	
Permits and Surveys			\$10,000	\$0	\$10,000	
Drilling Bit 17 1/2" 6 1/4", 3 3/4"			\$15,000	\$1,000	\$16,000	
Mud and Chemicals incl. Fuel			\$20,000	\$6,000	\$26,000	
Other Expendables			\$12,500	\$6,000	\$18,500	
Land and Lease Costs / Abstracts			\$30,000	\$0	\$30,000	
Overheads / labor			\$3,000	\$2,000	\$5,000	
TOTAL INTANGIBLES			\$456,240	\$208,000	\$664,240	

EXHIBIT NO. 4

TANGIBLES (remaining costs through completion)

C	Length, Ft.	Size, in.	Wt./ft.	Gr.	Price/Ft.	Dry Hole	Completion	Total	Net
A						\$0	\$0	\$0	
S	40	20		LP	\$32.50	\$1,300	\$0	\$1,300	
I	700	13 3/8	37	LS	\$23.50	\$16,450	\$0	\$16,450	
N	1950	9 5/8	32.3	LS	\$16.11	\$31,415	\$0	\$31,415	
G	5400	7	23	J	\$15.38	\$83,052	\$0	\$83,052	
	6,850	4 1/2	13.5	L	\$14.20	\$0	\$97,270	\$97,270	
Tbg.	6,800	2 3/8	4.7	AB	\$4.25	\$0	\$28,900	\$28,900	
Wellhead assembly						\$12,000	\$25,000	\$37,000	
Surface Equip -GAS						\$0	\$8,000	\$8,000	
Surface Equip -OIL						\$0	\$0	\$0	
Downhole Equipment						\$3,000	\$3,000	\$6,000	
Non-Controllable Equipment						\$0	\$0	\$0	

TOTAL TANGIBLES		<u>\$147,217</u>	<u>\$162,170</u>	<u>\$309,387</u>	
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TOTAL WELL COST		<u>\$603,457</u>	<u>\$370,170</u>	<u>\$973,627</u>	
------------------------	--	------------------	------------------	------------------	--

Well Line Costs	2500' @ \$17.00	\$0	\$42,500	\$42,500	
Meter Costs		\$0	\$10,000	\$10,000	
Other Costs	Labor & equip. to get off loc. & tie in	\$0	\$10,000	\$10,000	

Well 825550

TOTAL LINE & MEASUREMENT COST		<u>\$0</u>	<u>\$62,500</u>	<u>\$62,500</u>	
--	--	------------	-----------------	-----------------	--

TOTAL PROJECT COST		<u>\$603,457</u>	<u>\$432,670</u>	<u>\$1,036,127</u>	
---------------------------	--	------------------	------------------	--------------------	--

APPROVAL _____ DATE _____

APPROVAL _____ DATE _____

JOINT INTEREST APPROVAL

COMPANY NAME _____ APPROVAL _____ DATE _____

Net Revenue Interest _____ % Working Interest _____ % Cost Interest _____ %

This AFE represents only the estimated costs, and shall not supercede the terms of the Operating Agreement or COPAS accounting practice.

TRACT 1 – 245.28 UNIT ACRES

NAME	INTEREST IN TRACT 1	UNIT ACREAGE LEASED WITHOUT MODIFICATION AGREEMENT	INTEREST IN UNIT
Victor V. Stover (address unknown)	5/896=30/5376	1.3687	.2139%
Dawn Kimberly Burris (address unknown)	5/1792=15/5376	.6844	.1069%
John W. Layton (address unknown)	1/672=8/5376	.3650	.0570%
Larae Casner (address unknown)	1/672=8/5376	.3650	.0570%
Nina Jean Harges (address unknown)	1/672=8/5376	.3650	.0570%
Unknown Heirs of Ernest M. Layton, Jr. and/or Loretta Layton (address unknown)	5/384=70/5376 <i>KAY BELL</i>	3.1937	.4990%
TOTAL	139/5376	6.3418	.9908%

TRACT 5 – 63.88 UNIT ACRES

NAME	INTEREST IN TRACT 5	UNIT ACREAGE UNLEASED	INTEREST IN UNIT
ACIN, LLC P.O. Box 2727 Huntington, WV 25727-2827	100%	63.88	9.9812%

TRACT 10 – .11 UNIT ACRES

NAME	INTEREST IN TRACT 10	UNIT ACREAGE UNLEASED	INTEREST IN UNIT
Willa Crowder (address unknown)	1/15	.0073	.0011%
Vernie Crowder (address unknown)	1/15	.0073	.0011%
Vivian Crowder (address unknown)	1/15	.0073	.0011%
Janice Crowder (address unknown)	1/15	.0073	.0011%
Loretta Gilliam (address unknown)	1/15	.0074	.0012%
Estate of Bessie May Collins (address unknown)	1/3	.0367	0.0058%
Estate of Shirley Crowder (address unknown)	1/3	.0367	0.0058%
TOTAL	100%	.11	0.0172%

TRACT 15 – .10 UNIT ACRES

NAME	INTEREST IN TRACT 15	UNIT ACREAGE UNLEASED	INTEREST IN UNIT
Terry G. Butler HC 36 Box 300 Charleston, WV 25306	1/3	.0333	.0052%
Diana Lyn Clavert P.O. Box 510 Crestwood, KY 40014	1/3	.0333	.0052%
Connie Sue Patton 2378 1/2 Neighbors Drive Charleston, WV 25	1/3	.0334	.0052%
TOTAL	100%	.10	.0156%

TRACT 16 – .28 UNIT ACRES

NAME	INTEREST IN TRACT 16	UNIT ACREAGE UNLEASED	INTEREST IN UNIT
Keith Woods (address unknown)	100%	.28	.0437%

TRACT 17 – 1.58 UNIT ACRES

NAME	INTEREST IN TRACT 17	UNIT ACREAGE UNLEASED	INTEREST IN UNIT
Ark of WV	100%	1.58	.2469%

TRACT 18 – .80 UNIT ACRES

NAME	INTEREST IN TRACT 18	UNIT ACREAGE UNLEASED	INTEREST IN UNIT
J. Hudson Robinson (address unknown)	100%	.80	.1250%

TRACT 19 – .26 UNIT ACRES

NAME	INTEREST IN TRACT 19	UNIT ACREAGE UNLEASED	INTEREST IN UNIT
J. Hudson Robinson (address unknown)	100%	.26	.0406%

TRACT 21 – .22 UNIT ACRES

NAME	INTEREST IN TRACT 21	UNIT ACREAGE UNLEASED	INTEREST IN UNIT
Keith Woods (address unknown)	100%	.22	.0344%

TRACT 25 – .46 UNIT ACRES

NAME	INTEREST IN TRACT 25	UNIT ACREAGE UNLEASED	INTEREST IN UNIT
Keith Woods (address unknown)	100%	.46	.0719%

TRACT 29 – .10 UNIT ACRES

NAME	INTEREST IN TRACT 29	UNIT ACREAGE UNLEASED	INTEREST IN UNIT
Robert L. and Nola Simpson HC 35 Box 314 Charleston, WV 25306	100%	.10	.0156%

TRACT 39 – .18 UNIT ACRES

NAME	INTEREST IN TRACT 39	UNIT ACREAGE UNLEASED	INTEREST IN UNIT
Heirs of Alma Hackey (address unknown)	100%	.18	.0281%

6/7 heirs leased

TOTAL ACREAGE POOLED	INTEREST IN UNIT
74.3118	11.6110%

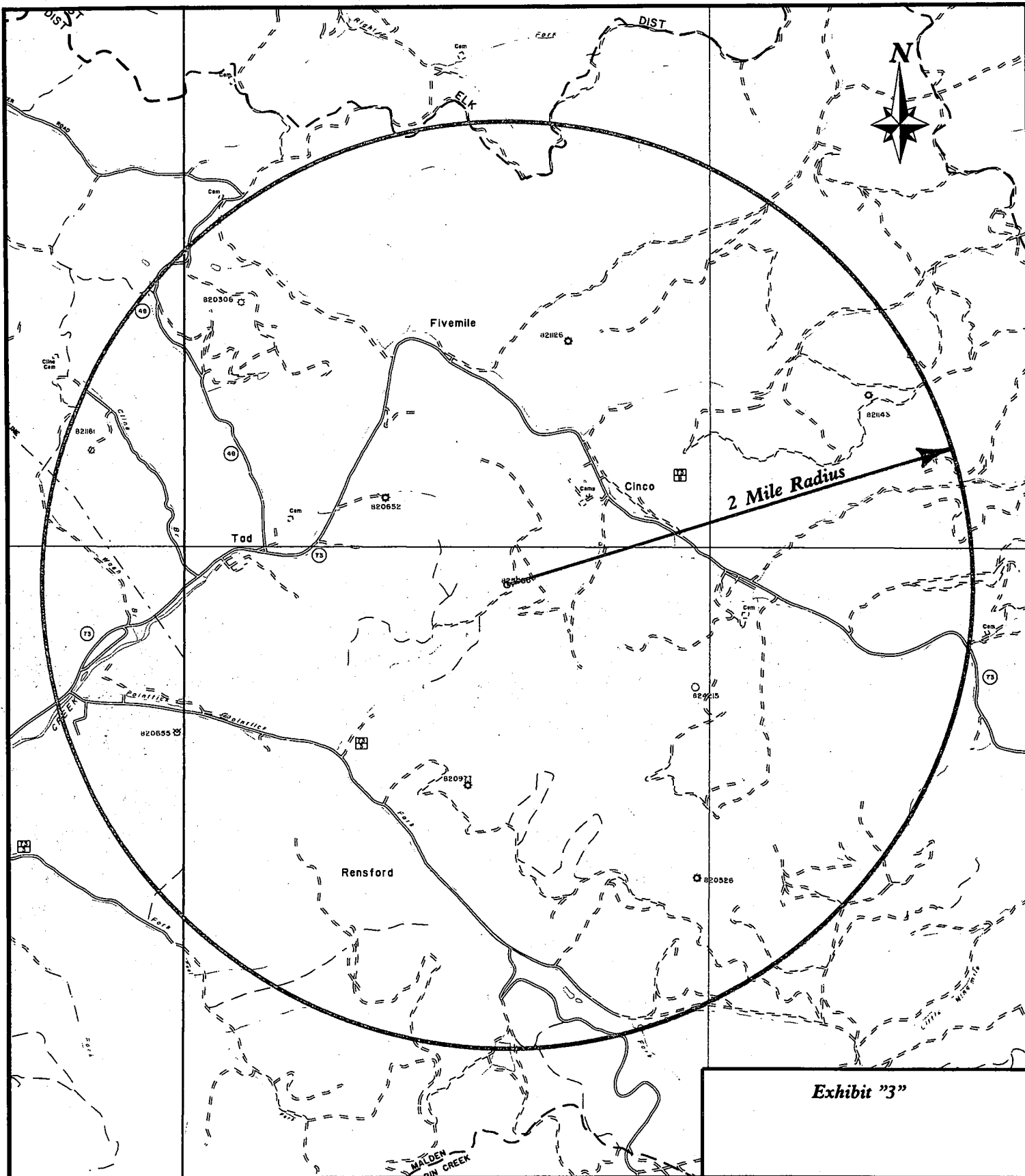


Exhibit "3"

NOTICE
 This map is intended to show the approximate location of the proposed natural gas facilities (including easements and property lines) and does not constitute a warranty of the accuracy of the information. The information is provided for informational purposes only. It may not be used for any other purpose without the express written consent of Chesapeake Energy Corporation. Chesapeake Energy Corporation does not warrant the accuracy or completeness of the information. The information is provided for informational purposes only. It may not be used for any other purpose without the express written consent of Chesapeake Energy Corporation.

MANAGER TECHNICAL SERVICES
 CHESAPEAKE ENERGY CORPORATION
 P.O. BOX 600
 CHESAPEAKE, WV 25804-0600
 (304) 733-5070

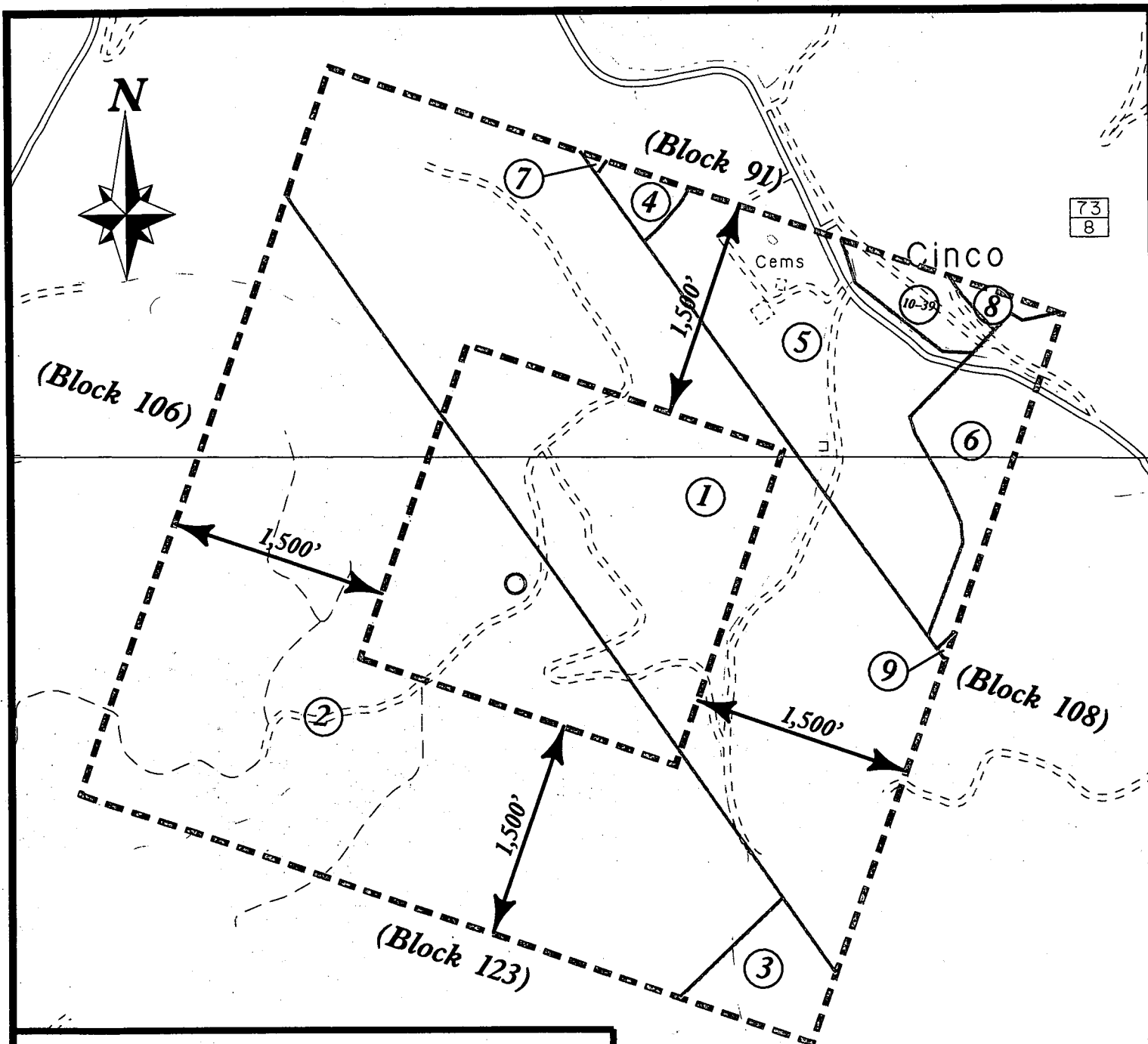
THIS MAP MAY NOT BE USED WITHOUT THE WRITTEN CONSENT OF CHESAPEAKE ENERGY CORPORATION

Quadrangle
Location:

Quick, WV



Technician: *asimms*
 Plot Date: 21-AUG-2006
 g:\Law\Keith_Moffatt\82550Cexh.bar



Well No. 825550
Block 107 - Indian Creek Field
Malden District, Kanawha County, WV

Tr. 1	245.28 acres
Tr. 2	280.64 acres
Tr. 3	12.54 acres
Tr. 4	4.56 acres
Tr. 5	63.88 acres
Tr. 6	20.52 acres
Tr. 7	0.23 acres
Tr. 8	2.64 acres
Tr. 9	0.16 acres
Tr. 10-39	9.55 acres

Total 640.00 acres

Exhibit "I"

NOTICE

This mapplot reflects only the approximate location of the depicted natural gas facilities (including property and property lines, lease and lease boundary lines). Chesapeake Energy Corporation does not warrant the accuracy or completeness of the depiction. Furthermore, this mapplot is the property of Chesapeake Energy Corporation and may contain confidential and/or proprietary information. It may not be copied or otherwise made available to any other party without prior written consent from Chesapeake Energy Corporation.

Chesapeake Energy Corporation expressly disclaims responsibility for any action, activity or decision by a third party on the basis of the information depicted on this mapplot. Call or write:

MANAGER, TECHNICAL SERVICES
 CHESAPEAKE ENERGY CORPORATION
 P.O. BOX 6070
 CHARLESTON, WV 25362-0070
 (304) 353-5000

THIS MAP MAY NOT REFLECT TRACTS LESS THAN 10 ACRES

Quadrangle

Location:



Quick, WV



SCALE: 0 500 1000

Technician: ssimms
 Plot Date: 21-AUG-2006
 g:\Law\Keith Moffatt\825550exh.bor

**Owners of leased tracts without
Modification agreement**

Address

Victor V. Stover	Unknown
Dawn Kimberly Burris	Unknown
John Layton	Unknown
Larae Casner	Unknown
Nina Jean Harges	Unknown
Ernest M. Layton and Loretta Layton Heirs	Unknown

Owners of unleased interests

Address

Willa Crowder	Unknown
Vernie Crowder	Unknown
Vivian Crowder	Unknown
Janice Crowder	Unknown
Loretta Gilliam	Unknown
Bessie May Collins, Estate	Unknown
Shirley Crowder, Estate	Unknown
Keith Woods	Unknown
J. Hudson Robinson	Unknown
Alma Hackey Heirs	Unknown

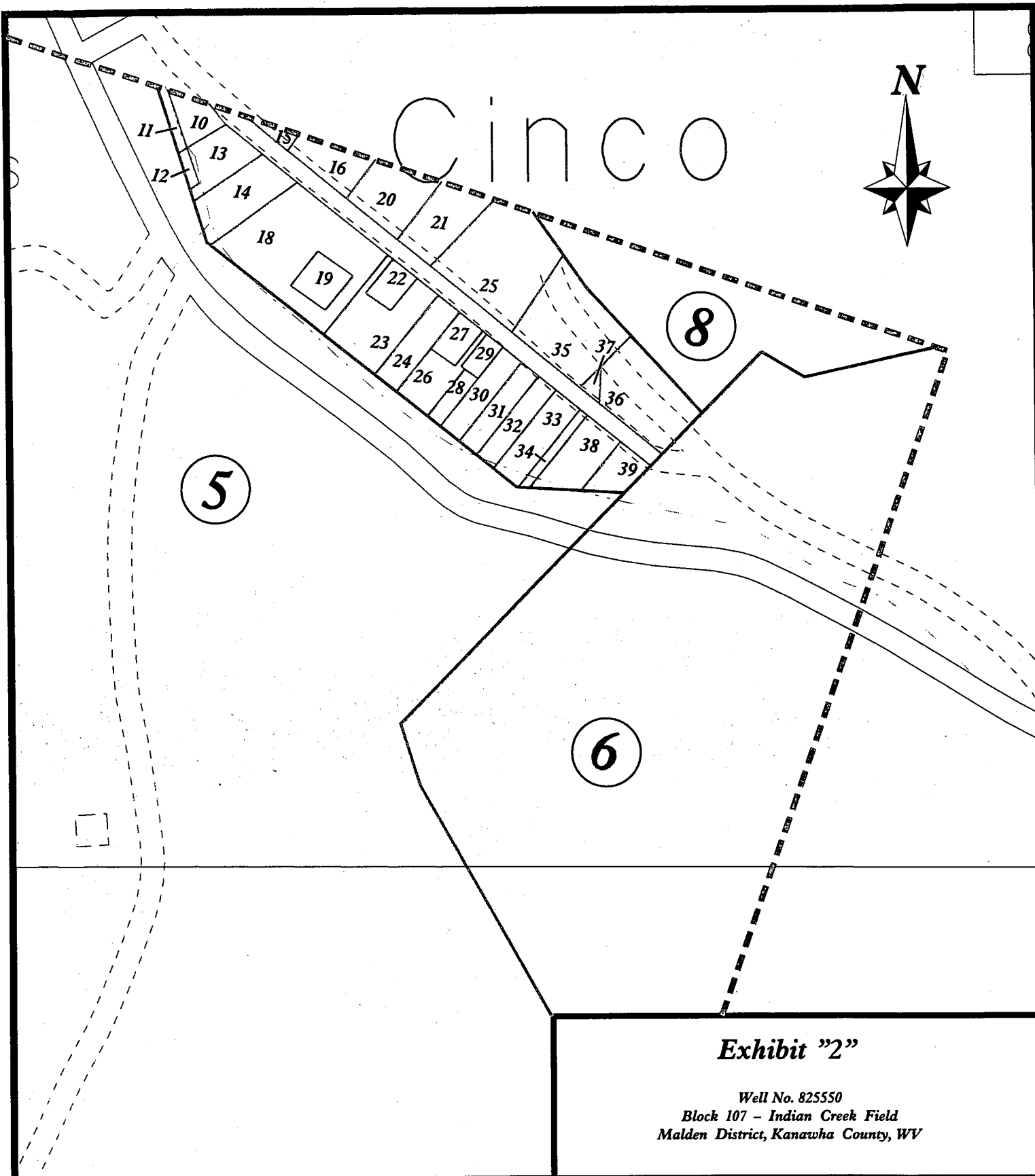


Exhibit "2"

Well No. 825550
Block 107 - Indian Creek Field
Malden District, Kanawha County, WV

NOTICE

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Chesapeake Energy Corporation expressly disclaims responsibility for any action, activity or decision by a third party on the basis of the information depicted on this map.

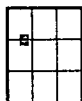
Call or write

MANAGER, TECHNICAL SERVICES
CHESAPEAKE ENERGY CORPORATION
P.O. BOX 6070
CHARLESTON, WV 25302-0070
(304) 353-5000

THIS MAP MAY NOT REFLECT TRACTS LESS THAN 10 ACRES

Quadrangle

Location:



Quick, WV

Chesapeake

Natural Gas
Natural Advantages.

SCALE: 0 125 250

Technician: ssimms
Plot Date: 21-AUG-2006

g:\Law\Keith_Moffatt\825550Bexh.bor

NORTHCOAST ENERGY EASTERN, INC 173-49



west virginia department of environmental protection

Oil and Gas Conservation Commission
601 57th Street, Charleston, WV 25304

Joe Manchin III, Governor
Stephanie R. Timmermeyer, Cabinet Secretary
www.wvdep.org

**BEFORE THE OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF WEST VIRGINIA**

IN THE MATTER OF THE APPLICATION OF NORTH COAST)
ENERGY EASTERN, INC. FOR AN ORDER FROM THE)
COMMISSION POOLING TRACTS AND INTERESTS OF)
OIL AND GAS OWNERS IN THE ABSENCE OF A VOLUNTARY)
AGREEMENT FOR THE DEVELOPMENT AND OPERATION) DOCKET NO. 173
OF UNIT BLOCK 43 IN THE ORISKANY SAND POOL)
OF THE SILVERTON FIELD, IN GRANT DISTRICT,)
JACKSON COUNTY, WEST VIRGINIA, PURSUANT) CAUSE NO. 49
TO WEST VIRGINIA CODE 22C-9-7(b), AS AMENDED)

REPORT OF THE COMMISSION

This cause came before the Commission on September 14,, 2006, at 10:30 a.m., at the Office of the Department of Environmental Protection, 601 – 57th Street, Charleston, West Virginia, after giving notice of hearing as required by law, on the Application of North Coast Energy Eastern, Inc. ("Applicant") for an order from the Commission pooling unleased tracts and interests of operators in the absence of a voluntary agreement for the development and operation of Unit Block 43 in the Oriskany Sand Pool of the Silvertown Field, in Grant District, Jackson County, West Virginia. Applicant appeared in person represented by George Puskas and Tony Anderson and by counsel Charles B. Dollison. Dayton Clutter and Hazel Clutter also appeared in person. In support of its forced pooling application Applicant presented the testimony of George Puskas, Landman for Applicant, and Tony Anderson, Operations Manager for Applicant. Applicant also presented 4 Exhibits: (1) Order establishing Special Field Rules issued by the Commission on April 24, 1981, for the Oriskany Sand Pool of the Silvertown Field, Grant and Ravenswood Districts, Jackson County, West Virginia, entered in Cause No. 49, Order No. 1; (2) A Survey of Unit Block 43 showing the unit boundaries and the respective mineral tracts in the unit and ownership percentage of each mineral owner in Unit Block 43; (3) A chart showing the name of each oil and gas owner in Unit Block 43; the date and recording information for each owner's oil and gas lease to Applicant; each owner's gross acres and net unit acres; and each owner's ownership percentage in Unit Block 43; and (4) the AFE for the well (NCEE Well # 1056) proposed by Applicant to be drilled in Unit Block 43. After reviewing the Exhibits and testimony introduced by Applicant, the Commission hereby makes the following Findings of Fact and Conclusions of Law.

FINDINGS OF FACT

1. The application was submitted under the provisions of §22C-9-7(b) of the Code of West Virginia, as amended, and §22C-9-7(a)(6), as amended, and the applicable rules of Practice and Procedure of this Commission.

2. An Order establishing Special Field Rules was issued by the Commission on April 24, 1981 for the Oriskany Sand Pool of the Silvertown Field, Grant and Ravenswood Districts, Jackson County, West Virginia, entered in Cause No. 49, Order No. 1.

Promoting a healthy environment.

3. From the evidence and testimony introduced in the hearing, it appears and the Commission hereby finds:

- (a) Applicant has obtained Lease Agreements with voluntary pooling provisions representing approximately 75.97% (156.97 acres) of the oil and gas interests in Unit Block 43 consisting of a total of 206.61 acres. Cabot Oil and Gas Corporation owns the leasehold interest on 23.87% (49.31 acres) of the acreage in Unit Block 43 and Cabot and Applicant have entered into a Joint Operating Agreement with regard to Cabot's acreage with Applicant as the operator. (See Exhibit A attached hereto).
- (b) Therein, only one unleased owner of an oil and gas interests within the Unit: Dayton Clutter and Hazel J. Clutter, who own .33 acres in the unit which is 0.16% of the acreage in the 206.61 acre Unit Block 43, as more particularly shown on map of Unit Block 43 prepared for Applicant and attached hereto as Exhibit A.
- (c) Applicant has made reasonable efforts to obtain a lease or buy the interest from Dayton Clutter and Hazel J. Clutter, but has been unable to do so.
- (d) Applicant or Cabot has leased the interests of all other owners of oil and gas interests within the Unit Block 43.
- (e) Applicant proposes to act as operator for the development of Unit Block 43 and is unaware of any other interested person who proposed to act as operator.
- (e) Dayton clutter and Hazel J. clutter appeared at the hearing. No other operator or royalty owner made an appearance at the hearing.
- (f) Applicant estimates the dry hole and completion costs for the proposed well in Unit Block 43 (North Coast Energy Eastern, Inc. Well No. 1056) is \$177,856 and \$316,255, respectively.
- (g) In the absence of the pooling order and designation of Applicant as operator, the oil and gas within the Oriskany Formation underlying tracts within drilling Unit Block 43 may not be produced and developed.
- (h) In accordance with Paragraph 4 of the 1981 Order establishing Special Field Rules, the location of Applicant's Well No 1056 is more than 1,000 feet from each boundary line of Unit Block 43 and more than 2,000 feet from the nearest Oriskany well. In accordance with Paragraph 3 of the 1981 Order establishing Special Field Rules, Unit Block 43 contains 206.6 acres and is in the size, shape and location as shown on Exhibit 4 to the 1981 Order.

CONCLUSION OF LAW

- 1. Due notice of the time, place and purpose of the hearing has been given as required by law.
- 2. Pursuant to West Virginia Code §22C-9-7, as amended, the Commission has jurisdiction over the subject matter embraced in said notice, and the persons interested therein, and jurisdiction to promulgate the hereinafter-prescribed Order.
- 3. That Applicant is an operator within the meaning of West Virginia Code §22C-9-2(a)(4), and as such has standing to make the application, which is the subject of this hearing.
- 4. That the granting of this application will prevent waste of oil and gas resources and will protect the correlative rights of all persons having an interest in oil and gas underlying Unit Block 43.

5. That after application and hearing, West Virginia Code §22C-9-7(b)(1) requires the commission to enter an order pooling all tracts or interests in the drilling unit for the development and operation thereof and for sharing production there from.

ORDER

Based on the foregoing, It is hereby ORDERED that the unleased interests of Dayton Clutter and Hazel J. Clutter in the Oriskany Sand, Silverton Field, Grant District, Jackson County, West Virginia, underlying Unit Block 43 of said field, be pooled under the following terms and conditions:

1. Applicant, North Coast Energy Eastern, Inc. is designated the Operator of Unit Block 43 and is authorized to drill a well on said block, subject to securing an appropriate Drilling Permit from the Division of Oil and Gas.

2. Mr. Dayton Clutter and Hazel J. Clutter are deemed to be an operator as defined in West Virginia Code §22C-9-2(a)(4) as to their unleased interest and may elect to participate in the development of Unit Block 43 as authorized by law, by submitting in writing to Applicant and the Commissioner their election to participate within ten (10) days from the date of this Order. Such election shall obligate said persons to pay their share, calculated on the net oil and gas acreage in the unit, of all reasonable costs and expenses of drilling, completing, equipping, operating and plugging the well, including reasonable charges of the Applicant for supervision of the operation of the well. If Dayton Clutter and Hazel Clutter do not wish to participate in the risk and cost of drilling they may elect to:

- (a) Lease or sell their interest to the designated operator, North Coast Energy Eastern, Inc., on a reasonable basis and for a reasonable consideration by notifying Applicant and the Commissioner, in writing, within ten (10) days of the date of this Order, of his election to surrender. If an electing owner and the designated operator cannot reach such an agreement as to the basis and consideration for such lease or sale, the Commissioner will, upon written application, conduct further hearings herein to determine the same.
- (b) Participate on a carried basis, as described in West Virginia Code §22C-9-7(b)(5)(B), by notifying the Applicant and the Commissioner, in writing, within ten (10) days of his election to participate on a carried basis.
- (c) Any operator who fails to notify the Applicant and the Commissioner of his election under Sections (a) and (b) of Paragraph 2 above, as required, shall, pursuant to the Commission's authority to prevent waste and protect correlative rights, be deemed to have elected to participate on a carried basis as set forth in option (b) above.

3. Persons identified in Exhibit B are royalty owners joined in Unit Block 43 pursuant to this Order and are entitled to their proportionate share of royalty in accordance with the terms of their respective leases. As defined in §22C-9-2(a)(5) of the West Virginia Code, Dayton Clutter and Hazel Clutter are unleased royalty owners and are entitled to their proportionate share of one-eighth (1/8) royalty of production as Ordered in the Order No. 1 dated April 24, 1981.

4. All royalties hereunder shall be paid on the basis of the proportion that their net oil and gas acreage within the unit bears to the total acreage within the unit.

6. This Order shall not operate to prevent unleased owners of interests in oil and gas within Unit Block 43 from hereafter leasing or otherwise assigning or conveying said interest to Applicant.

7. Applicant will submit to the Commission a final accounting showing the actual drilling and completion costs for Well No. 1056 within 30 days after all such costs have been received and determined by Applicant.

The Commission further incorporates the April 24, 1981 Report of the Commission and the Findings of Fact and the Conclusion of Law in the April 24, 1981 Report as a part of this Order.

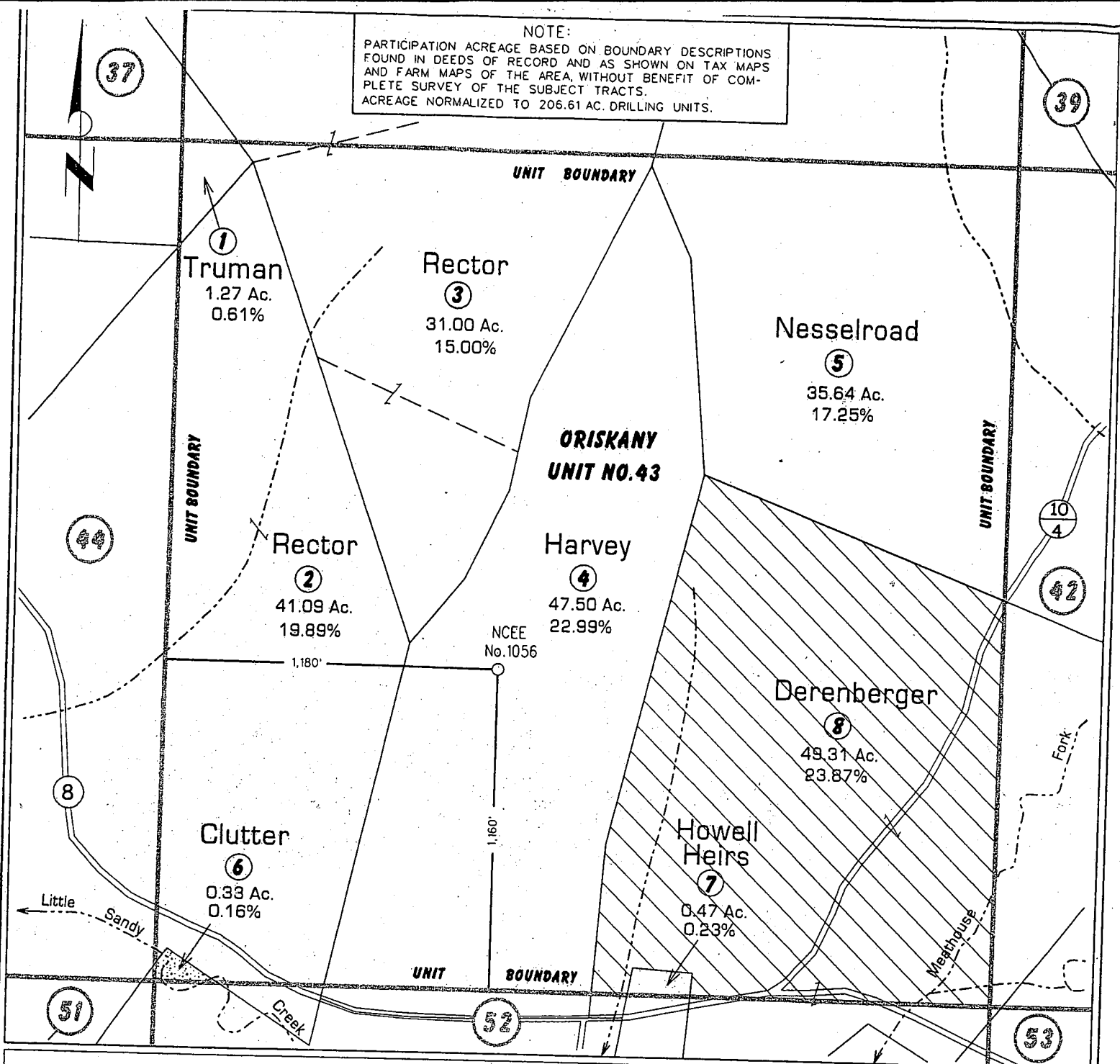
Entered this 5th day of October, 2006, at Charleston, West Virginia.

IN THE NAME OF THE STATE OF WEST VIRGINIA:

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF WEST VIRGINIA

By: Barry K. Lay
Barry K. Lay, Commissioner

NOTE:
PARTICIPATION ACREAGE BASED ON BOUNDARY DESCRIPTIONS
FOUND IN DEEDS OF RECORD AND AS SHOWN ON TAX MAPS
AND FARM MAPS OF THE AREA, WITHOUT BENEFIT OF COM-
PLETE SURVEY OF THE SUBJECT TRACTS.
ACREAGE NORMALIZED TO 206.61 AC. DRILLING UNITS.

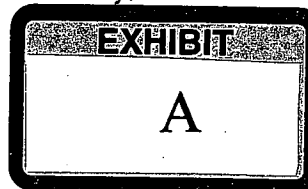


Map Showing Unit Participation in 206.61 Acre Oriskany Unit No. 43

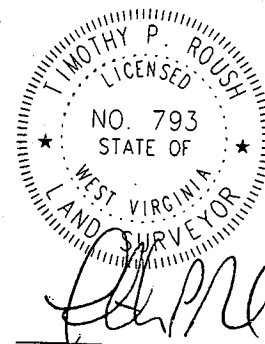
Grant District, Jackson County, W.Va.

PARTICIPATION KEY

	Acres	Pct.
North Coast Energy Lease	156.97	75.97
Cabot Minerals Lease	49.31	23.87
Clutter Minerals	0.33	0.16
TOTAL	206.61	100.000



0 250 500
Scale 1" = 500'



Timothy P. Roush, PS
P.O. Box 144
Belpre, OH 45714

Drawn: 4/8/06
Revised: 8/21/06

NORTH COAST ENERGY EASTERN, INC.

WELL NCEE 1056 - HARVEY

ORISKANY UNIT #43 - GRANT DISTRICT, JACKSON COUNTY

TRACT	OWNER	LEASE DATE	LEASE RECORD	GROSS ACRES	NET UNIT ACRES	% OF UNIT
1	Spencer E. & Phyllis J. Truman	1/16/80	155/18	108	1.27	0.613%
2 & 3	William K. Rector Jr.	6/20/80	156/398	128.5	72.09	34.892%
4	Patricia L. Harvey	11/2/05	245/934	49.22	47.5	22.990%
5	Paul E. & Joanna S. Nesselroad Warren W. & Foretta Nesselroad	10/17/05 10/17/05	245/451 245/453	164	35.64	17.251%
6	Dayton A. & Hazel J. Clutter	Unleased		49.6	0.33	0.161%
7	Patricia L. Harvey Carolyn Ann & Robert A. Schakow Charles Edward Cooper William B. & Carolyn T. Derenberger James T. & Katherine Cooper Jane Merrill Cobb	8/8/06 7/21/06 7/21/06 7/21/06 7/21/06 7/21/06	247/498 247/506 247/508 247/499 247/501 247/496	6.75	0.47	0.226%
8	Cabot Oil & Gas Corporation	Subject to JOA with NCEE Operating		67	49.31	23.867%
					206.61	100.000%

EXHIBIT

B



October 12, 2006

West Virginia Oil and Gas Conservation Commission
601 57th Street
Charleston, WV 25304
Attn: Brett Loflin

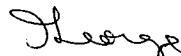
Re: Unit #43, Oriskany Pool of the Silvertown Field
Grant District, Jackson County, West Virginia

Dear Brett:

I received Mr. Clutter's lease and election notice in the mail this morning and have enclosed copies for your file.

We have signed the JOA and sent it to Cabot for execution. The whole package is about 50-60 pages, do you need all the exhibits or just a copy of the JOA itself? You can send me an email or call to let me know.

Yours truly,


George M. Puskas
Staff Landman

Cc Mr. Frank Rotunda



September 28, 2006

VIA CERTIFIED MAIL

Mr. Dayton A. Clutter
Mrs. Hazel J. Clutter
210 S. Broadway Street
Lodi, OH 44254

Re: Well No. NCEE 1056
Oriskany Unit #43

Dear Mr. & Mrs. Clutter:

Under West Virginia Code 22C-9-2(a)(4), as owners of unleased oil and gas rights you are considered an "operator" to the extent of seven-eighths of the oil and gas in that portion of the pool underlying the tract owned by you and a "royalty owner" as to one-eighth interest in such oil and gas

In accordance with Docket No. 173 Cause No. 49 of the Oil and Gas Conservation Commission of the State of West Virginia as pertains to the drilling, completing and operating of our well No. NCEE 1056 (the well) on Unit #43 (the Unit), North Coast Energy Eastern, Inc. (NCEE) is offering you the following options:

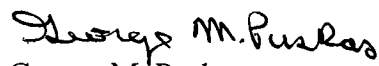
- ☒ A. To lease your interest in the Unit to NCEE by properly executing and having acknowledged the enclosed Paid -Up Oil & Gas Lease.
- ☐ B. To sell your interest in the Unit to NCEE for the sum of \$1000.00, NCEE will have the deed prepared and recorded at its expense.
- ☐ C. To participate in the Well as a working interest owner by contributing your proportionate share of the cost of drilling, completing and operating the Well. If you choose this option, NCEE will bill you for a sum equal to your proportionate share of the costs, such sum shall be payable prior to the completion of the well.
- ☐ D. To participate as a working interest owner on a carried basis.

In the event you elect option D., NCEE, as operator, will contribute your share of the cost of drilling, completing and operating the well until the proceeds of the sale of such share, calculated at the well, or market value thereof if such share is not sold (after deducting applicable ad valorem, production, severance, and excise taxes and other interests payable out of or measured by the production from such well with respect to such interests until it reverts), shall equal double the share of such costs payable by or charged to your interest.

In any event, should you elect option A., C., or D. you will be entitled to your proportionate share of the one eighth (1/8) royalty as defined in Cause 49, Order No. 1 dated April 24, 1981.

Please indicate your election by checking the box next the option you wish to choose and returning the original to us in the enclosed envelope. Failure to notify NCEE of your election within ten (10) days of receipt of this notice shall be deemed as notice that you have elected to participate on a carried basis.

Yours truly,


George M. Puskas
Staff Landman

Cc Mr. Brett Loflin
 Mr. Chud Dollison
 Mr. Jeff Keim

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece.



Northcoast Energy Eastern
Attention: George Puskas
P O Box 8
Ravenswood, WV 26164

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

B. Received by (Printed Name)

☐ Agent☐ Addressee

C. Date of Delivery

Address different from item 1? ☐ Yesdelivery address below: ☐ No

3. Service Type

☒ Certified Mail☐ Express Mail☐ Registered☐ Return Receipt for Merchandise☐ Insured Mail☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

2. Article Number

(Transfer from service label)

7004 1350 0000 5717 5878

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.



Dayton and Hazel Clutter
210 South Broadway Street
Lodi, OH 44254

2. Article Number

(Transfer from service label)

7004 1350 0000 5717 5953

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X *Dayton a. Clutter*

☐ Agent

☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

8-29-06

Address different from item 1?

☐ Yes

delivery address below:

☐ No

3. Service type

☒ Certified Mail

☐ Express Mail

☐ Registered

☐ Return Receipt for Merchandise

☐ Insured Mail

☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

1 BEFORE THE OIL AND GAS CONSERVATION COMMISSION
2 OF THE STATE OF WEST VIRGINIA

3 DOCKET NO. 173

4
5 CAUSE NO. 49

6
7 IN THE MATTER OF THE REQUEST BY NORTH COAST
8 ENERGY EASTERN FOR AN ORDER FROM THE COMMISSION
9 POOLING THE INTERESTS OF AN OIL AND GAS OWNER FOR
10 THE DEVELOPMENT AND OPERATION OF UNIT BLOCK #43
11 IN THE ORISKANY SANDSTONE POOL OF THE SILVERTON,
12 GRANT DISTRICT, JACKSON COUNTY WEST VIRGINIA.

13
14 ORIGINAL

15 On the 14th day of September, 2006, beginning
16 at 10:30 a.m., at the offices of the West
17 Virginia Department of Environmental Protection,
18 601 57th Street, Charleston, Kanawha County, West
19 Virginia, before James D. Nielsen, Court Reporter
20 and a Notary Public in and for the State of West
21 Virginia, a hearing was taken in the above-named
22 action pursuant to notice of the West Virginia
23 Department of Environmental Protection, Oil and
24 Gas Conservation Commission.

25
26 ACCURATE REPORTING SERVICE, INC.
27 526 SEVENTH STREET
28 HUNTINGTON, WEST VIRGINIA 25701

29 (304) 345-9891 * (304) 522-9637 * (606) 329-2154

1 APPEARANCES:

2 On Behalf of the West Virginia Department of
3 Environmental Protection, Oil and Gas
4 Conservation Commission:

5 Barry K. Lay: Commissioner

6 James Martin

7 Brett Loflin

8 Bob Radabugh

9 Tony Gum

10 On behalf of North Coast Energy, Inc.:

11 CHARLES B. DOLLISON, ESQ.
12 Bowles, Rice, McDavid, Graff & Love
13 600 Quarrier Street
14 Charleston, West Virginia 25301
15 (304) 347-1100

16 ALSO PRESENT:

17 Tony Anderson, North Coast Energy, Inc.

18 George M. Puskas, North Coast Energy, Inc.

19 Dayton Clutter

20 Hazel Clutter

21

22

23

24

I N D E X

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12	DEP Exhibit No. 2	4
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14	North Coast Exhibit No. 2	7
15	North Coast Exhibit No. 3	7
16	North Coast Exhibit No. 4	7
17		
18	Reporter's Certificate	24
19	Signature Sheet	None
20	Errata Sheet	None
21	Witness Letter	None
22		
23		
24		

PROCEEDING

MR. LAY: Before the Oil and Gas Conservation Commission of the State of West Virginia in the matter of the request by North Coast Energy Eastern for an order from the Commission pooling the interests of an oil and gas owner for the development and operation of Unit Block No. 43 in the Oriskany Sandstone Pool of the Silverton, Grant District, Jackson County, West Virginia. This is docket No. 173, Cause No. 49.

I would like to place of record at this time a copy of the Notice of Hearing along with the certified receipts as Exhibit 1; and a copy of a letter requesting hearing from North Coast Energy, Inc., dated August 21st, including an attached map, as Exhibit 2.

(DEP Exhibits 1 and 2 marked for identification.)

MR. LAY: Let the record show present are members of the Commission, James Martin, Robert Radabugh, Tony Gum and Barry Lay, and Brett Loflin from staff.

At this time the Commission will take appearances.

1 MR. DOLLISON: Charles Dollison with
2 Bowles, Rice, McDavid, Graff & Love representing
3 North Coast Eastern. With me is George Puskas
4 from North Coast Energy and also Tony Anderson,
5 North Coast Energy.

6 MR. LAY: Mr. and Mrs. Clutter, will you
7 please state your names for the record.

8 MRS. CLUTTER: My name is Hazel Clutter.

9 MR. CLUTTER: My name is Dayton Clutter.

10 MR. LAY: At this time would the court
11 reporter please swear the witnesses.

12 (Whereupon said witnesses were duly sworn.)

13 MR. LAY: Let's go off the record for
14 one moment.

15 (Break.)

16 MR. LAY: It's come to our attention
17 that the newspaper publication of Notice of this
18 Hearing has not been filed in this case.
19 However, the individuals involved did receive
20 personal service through U.S. mail, registered
21 mail, and we do have return receipts from them.

22 At this time, Mr. and Mrs. Clutter, do you
23 agree to continue with today's proceedings?

24 MR. CLUTTER: Yes.

1 MRS. CLUTTER: Yes.

2 MR. LAY: They both answered in the
3 affirmative, so therefore we will continue with
4 today's hearing.

5 Mr. Dollison, do you want to proceed with
6 your case.

7 MR. DOLLISON: Thank you, Mr. Chairman.
8 Before I proceed I've got a set of exhibits and I
9 would like to get these marked as exhibits. As
10 North Coast Energy Exhibit 1 -- and I'll just go
11 through these. Exhibit 1 is the prior Commission
12 order from 1981 establishing the special field
13 rules for the Silverton Oriskany Field in Jackson
14 County.

15 And I've got Exhibit No. 2 which is the North
16 Coast unit map showing the acreage in the unit
17 and the ownership of the parties in the unit.

18 I've got North Coast Energy Exhibit 3 which
19 is a written list of the oil and gas owners in
20 the unit and the percentage of ownership in the
21 unit.

22 And then Exhibit No. 4 for North Coast is the
23 AFE for the proposed Oriskany Well. So if I can
24 have all those marked, and then I would...

1 (North Coast Exhibits 1 through 4 marked for
2 identification.)

3 MR. DOLLISON: If I can call your
4 attention to Exhibit No. 1, which is the April
5 10, 1981 order of this Commission in Cause
6 No. 49, Order No. 1, establishing a special field
7 rule for the Oriskany Sand -- the Silverton Field
8 in Jackson County, West Virginia. The
9 application today is for Unit No. 43 as shown on
10 the map of the 1981 order.

11 Exhibit No. 2 shows the 206.61 acre
12 Oriskany Unit No. 43 and the ownership of the
13 parties in the unit. North Coast has 75.97
14 percent of the acreage in the unit under lease.
15 Cabot owns 23.87 percent. And as indicated
16 earlier, Cabot and North Coast are entering into
17 a joint operating agreement with North Coast as
18 the operator for Cabot's interests in the unit.
19 And North Coast will provide the executed JOA for
20 Cabot's interest as a post-hearing exhibit if
21 that is acceptable with the Commission.

22 Mr. and Mrs. Clutter own .33 acres in
23 the unit, which is one-sixteenth of 1 percent in
24 the unit. It's shown at the bottom left-hand

1 corner of the map. North Coast has offered to
2 lease the Clutter's interest and/or buy the
3 Clutter's interest in the unit.

4 Exhibit No. 3 is just a written list
5 that corresponds with the map showing the owners
6 of the minerals and their acres and percentage in
7 the unit.

8 Exhibit No. 4 shows the AFE for the well
9 on a completed basis, a dry hole basis, and the
10 AFE cost is \$316,255.

11 And at this time I would like to present
12 some testimony from Mr. Puskas of North Coast
13 Energy with regard to the analysis of the title
14 ownership and the Exhibits 2 and 3, unless the
15 Commission has any questions prior to that.

16 MR. LAY: Anyone have any questions
17 prior?

18 MR. GUM: None for me.

19 MR. LAY: You may call your first
20 witness.

21 MR. DOLLISON: North Coast Energy calls
22 George Puskas.
23
24

EXAMINATION OF GEORGE PUSKAS

BY MR. DOLLISON:

Q. Would you please state your full name.

A. My name is George M. Puskas, I'm a staff landman for North Coast Energy Eastern.

Q. Are you familiar with the proposed Unit No. 43 in the Silverton Oriskany Field?

A. Yes, I am.

Q. Has North Coast Energy conducted a title examination for the oil and gas ownership of the acreage in this unit?

A. Yes, we have.

Q. Is that ownership reflected on Exhibits 2 and 3 presented today?

A. Yes, it is.

Q. Is North Coast Energy entering into a joint operating agreement with Cabot for it's interest in the unit?

A. Yes, we are. We're negotiating that right now.

Q. Has North Coast Energy offered to lease or buy the interest of Mr. Clutter in the unit?

A. Yes, we did.

Q. Has Mr. Clutter refused any of those

1 offers?

2 A. Yes.

3 Q. Do you have any further testimony to
4 provide today?

5 A. Just the fact that the map that we have
6 here was prepared by a registered surveyor based
7 on proper descriptions in the area. And the
8 percentages of the unit were calculated based on
9 his acreages that he calculated for the survey.

10 Q. In addition to the survey you had title
11 examinations done on each tract comprising the
12 unit?

13 A. Yes.

14 Q. And is it correct that North Coast
15 Energy has leased 156.97 acres in the unit?

16 A. Yes, we have.

17 MR. DOLLISON: Thank you, sir. I do not
18 have any further questions.

19 MR. LAY: Mr. And Mrs. Clutter, you're
20 not represented by counsel, but you're more than
21 welcome to ask questions of the witness if you
22 have any.

23 MR. CLUTTER: Well, I thought it was my
24 mineral rights and I should have the right to say

1 whether I leased it or not.

2 MR. LAY: And that's something that you
3 can say when you're called to respond to this.
4 My question to you is, do you have any questions
5 of this witness?

6 MR. CLUTTER: No.

7 MR. LAY: You're more than welcome to
8 ask anything of what he's testified on, if you
9 don't understand it.

10 MR. CLUTTER: No, he did -- well, I've
11 got a lease, I don't want to lease it, I didn't
12 want to pool. I've got a lease, or they sent me
13 a lease. He drove up to my house and brought me
14 some papers. That's when he said that his boss
15 put him in a position to buy the third acre. I
16 told him all or nothing. Evidently they'd rather
17 just take it and use it than to buy it.

18 MR. LAY: Any questions from members of
19 the Commission?

20 MR. RADABUGH: I'm assuming that you own
21 additional property that's outside of this
22 boundary?

23 MR. CLUTTER: I own 49.6 acres.

24 MR. RADABUGH: Total. But only .33

1 acres is within this unit?

2 MR. PUSKAS: Yes.

3 MR. GUM: Was the offer to buy or lease
4 only the .33?

5 MR. PUSKAS: Yes.

6 MR. CLUTTER: No. He wanted to lease
7 the 49.6, and I turned that down. So he come up
8 to my house and he said that all he needed was
9 .33, a third acre. I told him no. He said he
10 was in the position to buy it. I told him all or
11 nothing.

12 MR. LAY: We're getting ahead asking
13 Mr. Clutter questions. We're concentrating on
14 one witness at this time.

15 Any other questions of the witness?

16 MR. RADABUGH: No.

17 MR. GUM: Not me.

18 MR. LAY: Nothing from staff?

19 MR. LOFLIN: No.

20 MR. LAY: Call your next witness.

21 MR. DOLLISON: Mr. Chairman, at this
22 time North Coast Energy does not have any further
23 witnesses, unless the Commission requests
24 Mr. Anderson to testify about the cost of the

1 well.

2 The AFE has been provided, if you have any
3 questions about the cost of the well or how they
4 propose to allocate operating costs I can call
5 Mr. Anderson as a witness. It just depends on
6 how you want to proceed.

7 MR. LAY: If you wouldn't mind, would
8 you at least get on the record that he's familiar
9 with the AFE, he prepared it and explain it so
10 that they understand what the AFE is, please.

11 EXAMINATION OF TONY ANDERSON

12 BY MR. DOLLISON:

13 Q. Mr. Anderson, would you state your full
14 name for the record.

15 A. Tony L. Anderson.

16 Q. We have previously introduced North
17 Coast Energy Exhibit No. 4, which is the AFE for
18 the proposed Oriskany Well in Unit 43. Are you
19 familiar with Exhibit No. 4?

20 A. Yes, I am.

21 Q. Can you provide a general description or
22 explanation of what an AFE is?

23 A. North Coast used an AFE system, it's
24 Authority For Approved Expenditure. It's

1 basically our cost from day one of drilling the
2 well all the way through getting the well into
3 line, which includes the drilling rig and the
4 pipe, cement services, bracking, pipe laying.
5 It's everything that we believe the cost should
6 be to drill this well and apply it into
7 production.

8 So whenever somebody invests into our well we
9 provide them with this expenditure breakdown so
10 that they know what our best estimate for the
11 expenditures to drill the well is. So when they
12 elect to participate in the well they elect to
13 spend their share of that money to gain the
14 interests into the well.

15 Q. And what is the total cost for this
16 proposed Oriskany Well?

17 A. \$316,255.

18 Q. Mr. Anderson, have you made any economic
19 analysis of the .16 interest owned by Mr. Clutter
20 in the unit as to the value of the royalty
21 interests, or if he participated, his working
22 interest, based on that percentage?

23 A. North Coast engineers have looked at
24 this and I have reviewed it. We made three

1 runs. We made a run basically saying what the
2 value we believe the .16 would be for a royalty
3 interest, assuming 12 1/2 percent royalty base.
4 That value on a PV 10, PV 10 is a present
5 value -- out of that 10 percent value is \$189,000
6 (sic), is what we believe that that would be for
7 that well. \$189.

8 MR. LAY: Clarify that --

9 A. \$189, sorry. It's .189 in dollars.

10 MR. LAY: I'm glad you clarified that.

11 A. Sorry. We also --

12 Q. I'm sorry to interrupt you,
13 Mr. Anderson, but the \$189 would represent the
14 royalty interests?

15 A. It represents the royalty interests if
16 he signed the lease on that .33 acres of what he
17 would receive at our best estimate over the next
18 75 years on a PV 10 discounted value.

19 MR. LAY: Okay.

20 A. We also made a second run. We assumed
21 that the lease would get to 12 1/2 percent --
22 their share of the 12 1/2 percent royalty into a
23 200 percent reversionary. What that means is
24 once we recoup 200 percent of the money we put

1 into the well that then they would turn into a
2 working owner at that point, that meaning the
3 royalty, and then they would also get their
4 working interests after.

5 That value, on a PV 10 value also, 75 years,
6 is \$369.

7 Q. So just for clarification, Mr. Anderson,
8 based on North Coast's economic analysis, the
9 value of the royalty interests owned by the
10 Clutters in the unit over the life of the well is
11 \$189; is that correct?

12 A. That's correct.

13 Q. And then you've calculated the value of
14 the working interests on the 200 percent carry
15 basis?

16 A. Yes.

17 Q. What was that number again?

18 A. \$369.

19 MR. DOLLISON: Thank you, Mr. Anderson.

20 No further questions at this time.

21 MR. LAY: Can I clarify, the second
22 number, your carry -- or the non-consent
23 provision, \$369, does that include both the
24 working interest and the royalty, or is that just

1 the working interest value?

2 MR. ANDERSON: That includes both the
3 workings and the royalties.

4 MR. LAY: Mr. and Mrs. Clutter, do you
5 have any questions of this particular witness?

6 MR. CLUTTER: No. I mean, \$189, 75
7 years, I don't think I've got another 75.

8 MR. LAY: I understand. Any questions
9 from members of the Commission? I've got a
10 couple questions I want to make sure that -- and
11 Brett, you probably have the answers to these.

12 I'm not sure which witness is the proper one,
13 Mr. Dollison, to answer the questions, but
14 without reading the order, do we have -- do the
15 locations conform to the spacing requirements
16 that were issued in the original order?

17 MR. PUSKAS: Yes, they do.

18 MR. LAY: And it's proper distance off
19 unit boundaries?

20 MR. PUSKAS: Yes.

21 MR. DOLLISON: If you want we can put
22 Mr. Puskas back on the record.

23 MR. LAY: As long as we know that they
24 do -- the requirements of the spacing as set up

1 in the original special field rules --

2 MR. PUSKAS: Yes, they do. It's in
3 excess of 3,000 feet from any other Oriskany or
4 proposed Oriskany location, and it's in excess of
5 1,000 feet from the unit boundary line.

6 MR. LAY: And the plat shows that?

7 The property or the location of the well and
8 the property of the Clutters, are there going to
9 be any surface operations whatsoever on the
10 Clutters' property?

11 MR. PUSKAS: No, there will not.

12 MR. LAY: No roads?

13 MR. PUSKAS: No.

14 MR. LAY: We have no issues with
15 distance from unit boundaries and we have no
16 spacing issues, we have no surface operation
17 issues. I have no further questions.

18 Brett, do you have any?

19 MR. LOFLIN: I have one question just to
20 clarify one statement, Mr. Puskas. The order
21 actually states that the wells shall be drilled
22 no closer than 2,000 feet, instead of 3,000. I
23 don't think it's all that relevant, but just to
24 clarify for the record.

1 My other question was, on your estimated
2 revenue to the Clutters, you had to have some
3 estimated production that you used, what was
4 that?

5 MR. ANDERSON: The estimated production
6 is to have ultimate reserve recoveries of 295
7 million cubic feet in the 75 years. Initial rate
8 was 2,657 a month, with an initial decline rate
9 of 74 percent at a 2.5 B factor, is how it's
10 described in engineering. I can quote the
11 volumes if need be.

12 MR. LOFLIN: No, that is satisfactory
13 for my interests.

14 Barry, that's all the questions I have.

15 MR. LAY: No other questions from
16 members of the Commission?

17 Nothing further from North Coast?

18 MR. DOLLISON: Nothing further,
19 Mr. Chairman.

20 MR. LAY: At this time, since you're not
21 represented by counsel, we will let you present
22 what you wish the Commission to hear on behalf of
23 yourself. And at that time then North Coast will
24 be able to ask you questions after you presented

1 what you want us to hear.

2 MR. DOLLISON: Mr. Chairman, pardon me
3 for interrupting, but perhaps it might be helpful
4 for you to just explain to the Clutters the
5 options that they have with regard to force
6 pooling. I'm not sure that they fully -- that
7 they understand that. It might be helpful before
8 they ask questions if they know how the statute
9 works and what their options are for today's
10 purposes.

11 MR. LAY: Let's go off the record for
12 that conversation.

13 (Discussion was held off the record.)

14 MR. LAY: Mr. and Mrs. Clutter, you're
15 welcome to present what you want us to hear.

16 MR. CLUTTER: I'm not leasing it and I'm
17 not -- you know, if they take it, they take it,
18 you know. I'm not leasing it. I'm not signing
19 nothing, because there is too many oil leases
20 that I've seen that's got run out roads and I
21 just don't want them on my property.

22 MR. LAY: You --

23 MR. CLUTTER: I'm not leasing it. If
24 there's a law that they can get it, I've done all

1 I can do, I've come down to listen.

2 MR. RADABUGH: From what I understand
3 they're not -- physically they're not going to be
4 on your property.

5 MR. CLUTTER: No, not now, but they
6 wanted the 49.6 acres to start with.

7 MR. LAY: Would you be interested in
8 leasing the .33 acres in this particular unit to
9 them?

10 MR. CLUTTER: Not now.

11 MR. LAY: Not now?

12 MR. CLUTTER: Not after what I've been
13 through for \$189, hell no, you know. For 75
14 years, no. Now, you guys do what you got to do.

15 MR. LAY: Mr. Dollison, do you have any
16 questions of Mr. and Mrs. Clutter?

17 MR. DOLLISON: I don't really have any
18 questions, Mr. Chairman.

19 MR. LAY: Questions from members of the
20 Commission? Staff?

21 MR. LOFLIN: No.

22 MR. LAY: The only thing that I want to
23 say, off the record we had a discussion of your
24 options based upon the existence of special field

1 rules in this area. You understand that
2 discussion?

3 MR. CLUTTER: Yeah.

4 MR. LAY: So you understand what your
5 options are?

6 MR. CLUTTER: Well, they're about the
7 same either way, about as broad as it is long.

8 MR. LAY: If there's no other questions
9 then we'll go off the record.

10 (Break.)

11 MR. LAY: Do we have a motion?

12 MR. RADABUGH: I'll make a motion. I
13 make a motion to grant the relief sought of force
14 pooling by North Coast Energy according to law,
15 Chapter 22, C9.

16 MR. GUM: And I'll second that motion.

17 MR. LAY: It's been properly moved and
18 seconded. Any further discussion? All those in
19 favor of the motion, aye.

20 THE COMMISSION: Aye.

21 MR. LAY: Opposed, nay.

22 The motion carries.

23 Through order of the Commission that we
24 grant the relief sought we would ask that counsel

1 for North Coast draft a proposed order and supply
2 it to staff for the pooling of the unit. Is
3 there anything that anyone would like to place of
4 record before I close the record?

5 MR. DOLLISON: No, Mr. Chairman. We
6 just want to confirm that the Exhibits 1 through
7 4 previously marked by North Coast Energy will be
8 admitted into the record.

9 MR. LAY: Yes. Would you please accept
10 those as part of the record. That being the
11 case, I'll close the record. Thank you.

12 (This hearing concluded at 11:30 a.m.)
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24

1 STATE OF WEST VIRGINIA,
2 COUNTY OF KANAWHA, to-wit:
3

4 I, James D. Nielsen, Court Reporter and a
5 notary public within and for the county and state
6 aforesaid, duly commissioned and qualified, do
7 hereby certify that the foregoing hearing of the
8 West Virginia Department of Environmental
9 Protection, Oil and Gas Conservation Commission,
10 was duly taken by and before me at the time and
11 place specified in the caption hereof.

12 I do further certify that the said hearing
13 was correctly taken by me in stenotype notes,
14 that the same were accurately written out in full
15 and reduced to typewriting; and that said
16 deposition is a true record of the hearing.

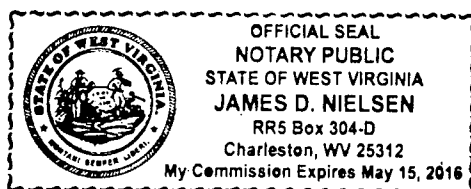
17 I do further certify that I am neither
18 attorney or counsel for, not related to or
19 employed by, any of the parties to the action in
20 which this hearing is taken, and further that I
21 am not a relative or employee of any attorney or
22 counsel employed by the parties hereto or
23 financially interested in this action.

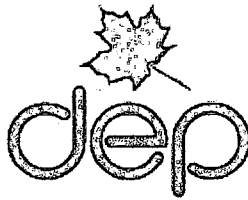
24 My commission expires May 15, 2016.

Given under my hand this 21st day of October,
2006.



James D. Nielsen
Court Reporter/Notary Public





west virginia department of environmental protection

Oil and Gas Conservation Commission
601 57th Street, SE
Charleston, West Virginia 25301

Joe Manchin III, Governor
www.wvdep.org

BEFORE THE OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF WEST VIRGINIA

IN THE MATTER OF THE REQUEST BY NORTHCOAST
ENERGY EASTERN FOR AN ORDER FROM THE
COMMISSION POOLING THE INTERESTS OF AN OIL
AND GAS OWNER FOR THE DEVELOPMENT AND
OPERATION OF UNIT BLOCK #43 IN THE ORISKANY
SANDSTONE POOL OF THE SILVERTON, GRANT
DISTRICT, JACKSON COUNTY, WEST VIRGINIA.

DOCKET NO. 173

CAUSE NO. 49

NOTICE OF HEARING

The Oil and Gas Conservation Commission in Cause 49, Order 1, established special field rules for the Oriskany sandstone pool of the Silverton Field. The Order dictated that each drilling unit would encompass 206.6 acres. Northcoast is requesting an order from the Commission pooling the interests in a tract owned by Dayton A and Hazel J. Clutter, consistent with and pursuant to the provisions of WV Code 22C-9-7(b) as amended. The matter is set for:

DATE: September 14, 2006

TIME: 10:30 am

PLACE: Department of Environmental Protection
Oil and Gas Conservation Commission
601 57th Street, SE
Charleston, WV 25304
(304)926-0499, Ext 1656

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF WEST VIRGINIA

By: _____

Barry K. Lay, Commissioner

Dated this 23rd day of August, 2006, at Charleston, West Virginia.

Promoting a healthy environment.

EXHIBIT



**NORTH COAST
ENERGY, INC.**

August 21, 2006

West Virginia Oil and Gas Conservation Commission
601 57th Street
Charleston, WV 25304
Attn: Brett Loflin

Re: Unit #43, Oriskany Pool of the Silverton Field
Grant District, Jackson County, West Virginia

Dear Mr. Loflin:

North Coast Energy Eastern, Inc. has applied for a permit to drill an Oriskany well on Unit #43 of the subject field as designated in Cause No. 49, Order No. 1 of the Oil and Gas Conservation Commission dated April 24, 1981. Of the 206.61 acres comprising the unit, North Coast has 156.97 acres, 75.97%, under lease. Cabot Oil and Gas Corporation owns all the gas under 49.31 acres, 23.87%, and has agreed to participate in the well, subject to a joint operating agreement with North Coast as the operator.

The remaining 0.33 acres, 0.16%, is part of a 49.6-acre tract owned by Dayton A. and Hazel J. Clutter, of 210 South Broadway Street, Lodi, OH 44254. Mr. Clutter declined our offer to lease his property. I offered to lease just the 0.33 acres so that the entire tract would not be tied up in a producing lease, and he would not lease, saying that he just doesn't like the idea of anyone telling him that he has to do something.

Due to our inability to reach agreement with Mr. Clutter, in accordance with Paragraph 6 of the above referenced order, North Coast is hereby requesting a hearing for forced pooling of the 0.33 acres.

If you need any further information, feel free to contact me at 304-273-5371 ext. 224 or gpuskas@northcoastenergy.com.

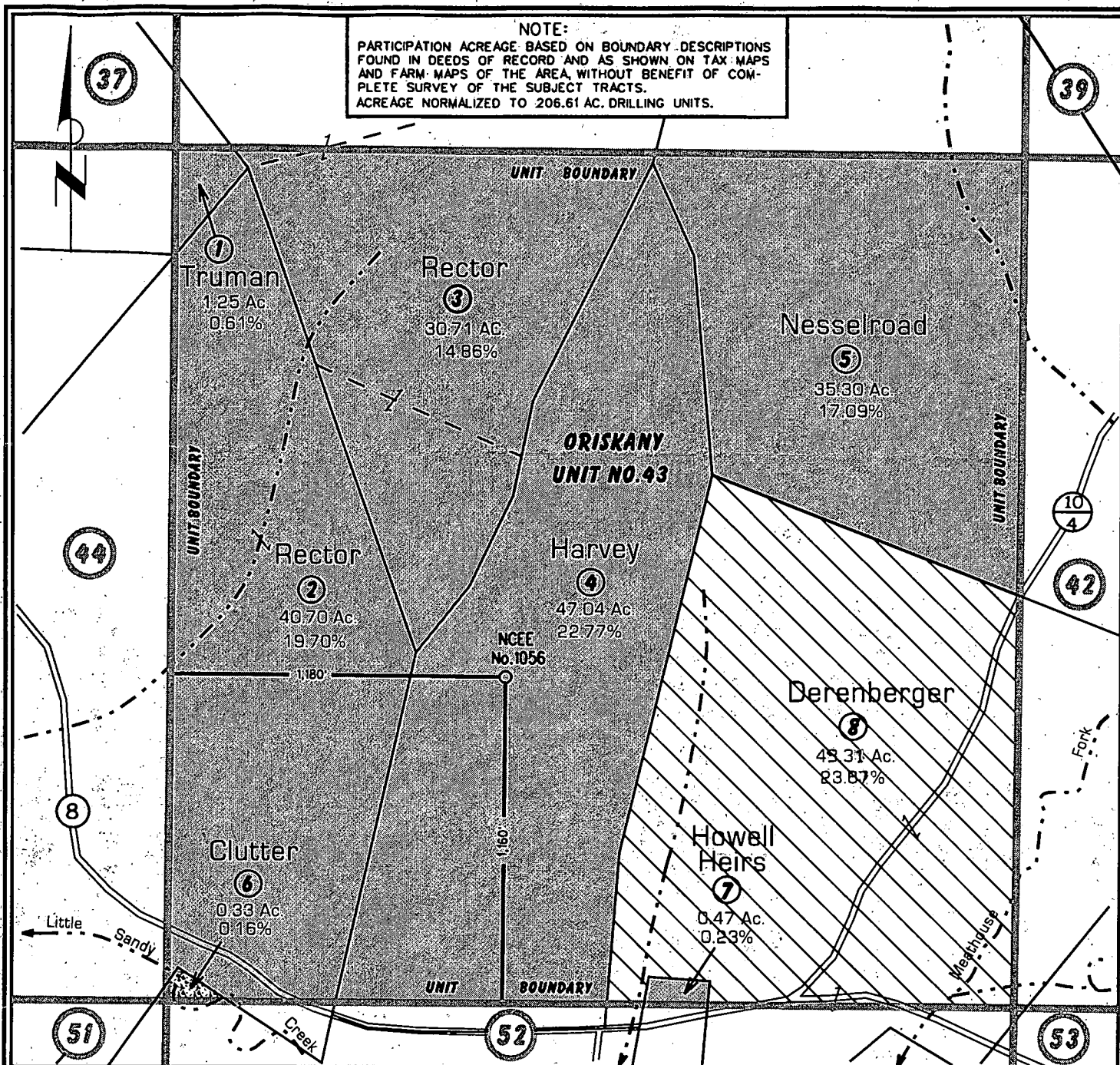
Yours truly,

George M. Puskas
George M. Puskas
Staff Landman

Cc Mr. Frank Rotunda
Mr. Jeff Keim, Cabot Oil & Gas Corporation
Mr. George A. Patterson

EXHIBIT




2



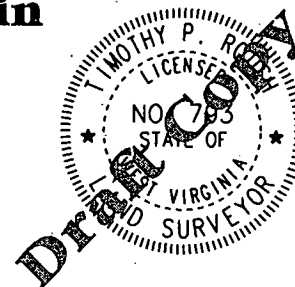
Map Showing Unit Participation in 206.61 Acre Oriskany Unit No. 43

Grant District, Jackson County, W. Va.

PARTICIPATION KEY

	Acres	Pct.
 North Coast Energy Lease	156.97	75.97
 Cabot Minerals Lease	49.31	23.87
 Clutter Minerals	0.33	0.16
TOTAL	206.61	100.000

0 250 500
Scale 1" = 500'



Timothy P. Roush, PS
P.O. Box 144
Belpre, OH 45714
Drawn: 4/8/06
Revised: 8/21/06

4/24/81



STATE OF WEST VIRGINIA
OIL AND GAS CONSERVATION COMMISSION
CHARLESTON 25305

BEFORE THE OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF WEST VIRGINIA

IN THE MATTER OF THE APPLICATION)	
OF DEVON CORPORATION FOR AN ORDER)	
FROM THE COMMISSION FOR SPECIAL)	CAUSE NO. 49
FIELD RULES FOR THE DEVELOPMENT OF)	
OIL AND GAS IN GRANT AND RAVENSWOOD)	ORDER NO. 1
DISTRICTS, JACKSON COUNTY, WEST)	
VIRGINIA.)	

REPORT OF THE COMMISSION

This cause came before the Commission on April 10, 1981, at 10:00 a.m., at Capitol Conference Center, Room C, Capitol Complex, Charleston, West Virginia, after giving notice as required by law subsequent to a pre-hearing conference held on March 23, 1981, on the application of Devon Corporation for Special Field Rules for the development of oil and gas in Grant and Ravenswood Districts, Jackson County, West Virginia.

FINDINGS OF FACT

1. The applicant, Devon Corporation, is an operator within the meaning of paragraph (5), subsection (a), Section 2, Article 4A, Chapter 22, Code of West Virginia, as amended, and is directly and immediately affected by the drilling for and production of natural gas from the Oriskany Sand in Grant and Ravenswood Districts, Jackson County, West Virginia, for which Special Field Rules are sought.
2. The application was duly submitted in accordance with the provisions of Chapter 22, Article 4A, Section 7, Code of West Virginia, as amended, and the applicable rules of Section V, Rules of Practice and Procedure of the Commission.
3. From the application testimony, exhibits, and all proceedings had in this cause, it appears and the Commission finds:
 - a) The applicant is engaged in exploring for, drilling and producing natural gas in Jackson County, West Virginia, and is the owner of oil and gas leases covering lands in Grant and Ravenswood Districts, Jackson County, West Virginia.

EXHIBIT

Northcoast 1

CAUSE NO. 49, ORDER NO. 1 - Page Two

- b) The pool is the Oriskany Sand of the Silverton Field at an approximate depth of thirty seven hundred and fifty (3750) feet subsea as found in well No. 47-035-1528, that has a "pay" thickness of four (4) feet, a porosity of fourteen (14) percent, water saturation of twenty-five (25) percent, a reservoir temperature of one hundred five (105) degrees Fahrenheit, and a bottom hole pressure of sixteen hundred and seventeen (1617) psig.
- c) Assuming an eighty-five (85) percent recovery factor, an average recoverable reserve would be approximately 353,500 Mcf per drilling unit of approximately two hundred six and six-tenths (206.6) acres with a 2.7 to 1 net return on investment.
- d) A typical pressure decline curve for the Oriskany Sand supports the 206.6 acre unit as being the maximum that can be effectively and efficiently drained by one well.
- e) The pool is entirely in Jackson County, West Virginia, in Grant and Ravenswood Districts, of sixty-eight (68) units encompassing approximately fourteen thousand and forty-eight (14,048) acres that shall be known as the Oriskany Pool of the Silverton Field, more specifically detailed on applicant's Exhibit No. 4, a USGS topographic map..
- f) Exhibit No. 4 shows no drilling units with insoluble topography problems.

CONCLUSION OF LAW

1. That due notice of the time, place and purpose of the hearing has been given in all respects as required by law.
2. That pursuant to Chapter 22, Article 4A, Code of West Virginia of 1931, as amended, the Commission has jurisdiction over the subject matter embraced in said notice, and the persons interested therein, and jurisdiction to promulgate the hereinafter prescribed Order.

ORDER

It is hereby ORDERED by the West Virginia Oil and Gas Conservation Commission that Special Field Rules be and are hereby established for the Oriskany Sand pool of the Silverton Field, an area of approximately fourteen thousand and forty-eight (14,048) acres lying just east of the Ohio River and northeast of the town of Ravenswood, in Grant and Ravenswood District, Jackson County, West Virginia, as follows:

1. The area to which these Special Field Rules apply is more particularly shown and designated by the outside boundary lines superimposed on a topographic map, showing sixty-eight (68) square units, and identified in the record in this Cause as Exhibit No. 4, to which reference is made for all pertinent purposes.

CAUSE NO. 49, ORDER NO. 1 Page Three

2. The pool underlying the land area shown on said map, and the pool to which these Special Field Rules apply, is the natural gas found in the Oriskany Sand formation.

3. Drilling and production units for the pool shall be square in shape, with the sides of each unit being three thousand (3,000) feet in distance and oriented north, south, east and west. Each unit will contain nine million (9,000,000) square feet, or two hundred six and six-tenths (206.6) acres. The units shall be in the size, shape and location as shown for the sixty-eight (68) units laid out and shown on said Exhibit No. 4 and the units shall be identified and designated as Nos. 1 through 68 on said Exhibit No. 4.

4. No more than one well shall be drilled to and produced from the Oriskany Sand formation on each of the units established and identified herein. Each well drilled shall be in the central portion of each unit and shall be at least one thousand (1,000) feet from each unit boundary line, and no well shall be drilled closer than two thousand (2,000) feet to a well producing from the Oriskany Sand.

5. Each application for drilling a unit well shall identify the unit by reference to the numbers used to identify the unit areas shown on Exhibit No. 4 and shall show or state the acreage of each tract of land that is a part of the unit.

6. Each application to drill a unit well shall provide the Commission with such proof as it may require as evidence that all Operator and Royalty interest in the unit have been pooled voluntarily, or such application shall include a request for involuntary pooling as provided for in subsection (b), Section 7, Article 4A, Chapter 22, Code of West Virginia. No permit for a unit well shall be granted unless and until all Operator and Royalty interests in the unit have been pooled.

7. In the absence of voluntary agreements otherwise each Royalty Owner shall share in the total royalty payable with respect to each unit well in the same proportion as the acreage owned by such Royalty Owner and included with the well unit bears to the total acreage of the unit.

8. In the absence of a voluntary agreement, the royalty interest involuntarily pooled in a drilling unit shall be one-eighth (1/8) of the liquid hydrocarbons produced and saved, and one-eighth (1/8) of the fair market value of the natural gas sold or used from its allocated portion of the production from all lands of the unit. The allocated portion of the unleased premises included in the pooled unit shall be the proportion computed on an acreage basis as it bears to the entire lands pooled.

9. All existing or permitted Oriskany wells within the pool area prior to this Order shall be the well for the drilling unit in which it is located at what may be an exception location.

CAUSE NO. 49, ORDER NO. 1 - Page Four

10. Applications to drill wells submitted subsequent to this Order shall include a topographic map depicting the unit boundaries and the property lines within the unit scaled thereon with the acreage of each parcel calculated by planimeter or by other means of like accuracy.

The Commission further incorporates the Report of the Commission and the Findings of Fact and Conclusion of Law dated April 10, 1981, as if the same were fully set forth and includes hereto the Report of the Commission and Findings of Fact and Conclusion of Law therein as part of this Order.

Entered at Charleston, West Virginia, this 24th day of April, 1981.

IN THE NAME OF THE STATE OF WEST VIRGINIA:

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF WEST VIRGINIA

By: Thomas E. Huzzey
Thomas E. Huzzey, Commissioner

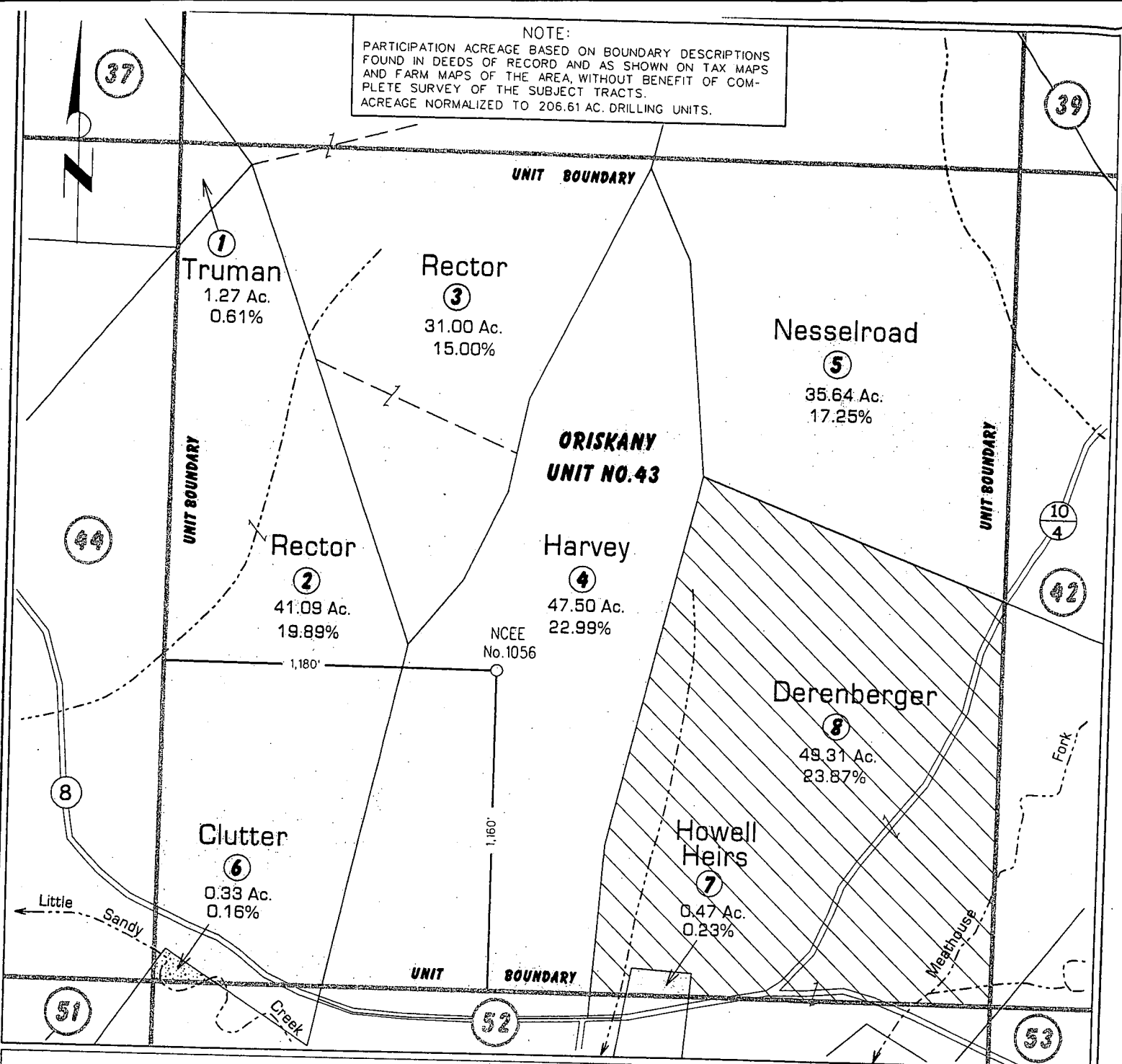


Vernwood

DEWITT CORPORATION
PROPOSED DRILLING
WATER & RADIATION DISTRICTS
JACKSON COUNTY, N.M.
SHEET 17 OF 20

100 FT. SCALE - 1" = 100 FT.
UNLESS OTHERWISE NOTED, DISTANCE FROM THIS CENTERLINE




NOTE:
PARTICIPATION ACREAGE BASED ON BOUNDARY DESCRIPTIONS
FOUND IN DEEDS OF RECORD AND AS SHOWN ON TAX MAPS
AND FARM MAPS OF THE AREA, WITHOUT BENEFIT OF COM-
PLETE SURVEY OF THE SUBJECT TRACTS.
ACREAGE NORMALIZED TO 206.61 AC. DRILLING UNITS.

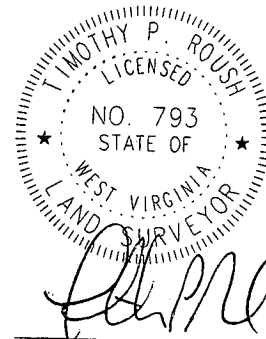
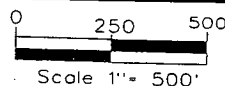
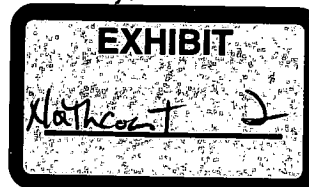


Map Showing Unit Participation in 206.61 Acre Oriskany Unit No. 43

Grant District, Jackson County, W.Va.

PARTICIPATION KEY

	Acres	Pct.
	North Coast Energy Lease	156.97 75.97
	Cabot Minerals Lease	49.31 23.87
	Clutter Minerals	0.33 0.16
TOTAL	206.61	100.000



Timothy P. Roush, PS
P.O. Box 144
Belpre, OH 45714

Drawn: 4/8/06
Revised: 8/21/06

NORTH COAST ENERGY EASTERN, INC.

WELL NCEE 1056 - HARVEY

ORISKANY UNIT #43 - GRANT DISTRICT, JACKSON COUNTY

TRACT	OWNER	LEASE DATE	LEASE RECORD	GROSS ACRES	NET UNIT ACRES	% OF UNIT
1	Spencer E. & Phyllis J. Truman	1/16/80	155/18	108	1.27	0.613%
2 & 3	William K. Rector Jr.	6/20/80	156/398	128.5	72.09	34.892%
4	Patricia L. Harvey	11/2/05	245/934	49.22	47.5	22.990%
5	Paul E. & Joanna S. Nesselroad	10/17/05	245/451	164	35.64	17.251%
	Warren W. & Foretta Nesselroad	10/17/05	245/453			
6	Dayton A. & Hazel J. Clutter	Unleased		49.6	0.33	0.161%
7	Patricia L. Harvey	8/8/06	247/498	6.75	0.47	0.226%
	Carolyn Ann & Robert A. Schakow	7/21/06	247/506			
	Charles Edward Cooper	7/21/06	247/508			
	William B. & Carolyn T. Derenberger	7/21/06	247/499			
	James T. & Katherine Cooper	7/21/06	247/501			
	Jane Merrill Cobb	7/21/06	247/496			
8	Cabot Oil & Gas Corporation	Subject to JOA with NCEE Operating		67	49.31	23.867%
					206.61	100.000%

EXHIBIT

Northcoast 3

NORTH COAST ENERGY (S.A.B.U.) A.F.E.

WELL NAME & NUMBER:

W.I./N.R.I.:

FORMATION:

Tangible Costs

NCEE - #1056, HARVEY

100%/87.5%

ORISKANY

TD: 4775

STATE: WV

COUNTY: JACKSON

	Completion	Dry Hole
2210 TUBULAR GOODS		
2210.1 Conductor Pipe	\$620	\$620
2210.2 Surface Casing	\$3,289	\$3,289
2210.3 Intermediate Casing	\$18,052	\$18,052
2210.4 Production Casing	\$26,977	\$0
2210.5 Pup Joints	\$330	\$0
2210.6 Production Tubing	\$0	\$0
2210.7 Sucker Rods	\$0	\$0
2210.8 Tubing Head & Fittings	\$0	\$0
2215 WELL HEAD & EQUIPMENT		
2215.1 Well Head assembly	\$0	\$0
2215.2 Tubing Head Assembly	\$0	\$0
CASING EQUIPMENT (BAFFLES, PACKERS)		
2220.8 Casing Heads & Fittings	\$3,000	\$0
2225 COMPLETION EQUIPMENT	\$0	\$0
2225.5 Valves & Connections	\$4,600	\$0
2230 SURFACE PRODUCTION EQUIPMENT		
2230.1 Separator	\$1,480	\$0
2230.2 Tanks & Ladder (Soft Water Collection Tank)	\$973	\$0
2235 SALESLINE EQUIPMENT		
2235.1 Salesline (Pipeline)	\$3,600	\$0
2235.2 Meter & Meter Run	\$2,105	\$0
2235.4 Salesline - Pipeline Installation	\$7,200	\$0
2235.5 Salesline - Pipeline Right of Way	\$1,000	\$0
2235.6 Roadbore	\$0	\$0
2240 FLOAT EQUIPMENT		
2240.1 Float Equipment	\$1,400	\$745
2245 ROUSTABOUT LABOR		
2245.1 Roustabout Labor	\$1,750	\$0
	\$74,055	\$20,708

EXHIBIT

Northcoast 4

NORTH COAST ENERGY (S.A.B.U.) A.F.E.

WELL NAME & NUMBER:	NCEE - #1056, HARVEY	TD:	4775
W.I./N.R.I.:	100%/87.5%	STATE:	WV
FORMATION:	ORISKANY	COUNTY:	JACKSON
Intangible Drilling Costs			
2120 PERMITTING, LEGAL, LEASE			
2120.2 Lease Bonus		\$0	\$0
2120.3 Legal Cost - Title Work		\$2,000	\$2,000
2120.4 Survey & Stake, Well Plat		\$1,000	\$1,000
2120.7 Drilling Permit		\$850	\$850
2120.8 Drillsite or Spud Fee		\$0	\$0
2120.9 Leasehold Costs		\$0	\$0
2120.10 Pipeline & Location Damages		\$0	\$0
2120.11 Insurance (Blowout Ins.)		\$3,343	\$3,343
2120.12 Misc. Land		\$0	\$0
2125 DRILLING & COMPLETION SERVICES			
2125.1 Drilling Rig Mobilization		\$0	\$0
2125.2 Turnkey Drilling Bid		\$0	\$0
2125.3 Footage Drilling Bid		\$81,175	\$81,175
2125.4 Daywork Drilling Bid		\$8,350	\$8,350
2125.5 Drilling Water Hauling		\$3,360	\$3,360
2125.6 Mud & Chemicals		\$4,995	\$4,995
2125.7 Power Tongs		\$1,300	\$850
2125.8 Completion Rig		\$8,800	\$0
2125.9 Rig Services		\$0	\$0
2125.10 Drilling Miscellaneous		\$22,300	\$0
2125.11 Completion Miscellaneous		\$0	\$0
2125.12 Completion Water Hauling		\$1,800	\$0
2130 LOCATION PREPARATION & RECLAMATION			
2130.1 Location Preparation		\$10,850	\$10,850
2130.2 Pit Liner		\$2,100	\$2,100
2130.5 Stone, Culvert Pipe, Fabric (Seed, Lime, Mulch)		\$6,150	\$8,150
2130.6 Daxer Completion		\$1,500	\$0
2130.7 Location Reclamation		\$12,100	\$12,100
2130.8 Pit Closure		\$1,100	\$1,100
2135 CEMENTING & CEMENTING SERVICES			
2135.1 Cement Conductor		\$0	\$0
2135.2 Cement Surface		\$4,225	\$4,225
2135.3 Cement Intermediates		\$8,850	\$8,850
2135.4 Cement Production		\$14,000	\$0
2140 WIRELINE LOGGING & MISC.			
2140.1 Mud Logging		\$0	\$0
2140.2 Open Hole Nuclear Logging		\$4,352	\$4,352
2140.6 Cased Hole wireline		\$7,000	\$0
2140.7 Cased Hole Collar Correlation		\$0	\$0
2140.8 Perforating		\$0	\$0
2140.9 Notching Services		\$0	\$0
2140.11 Well Flow Rate Testing		\$0	\$0
2145 STIMULATION SERVICES			
2145.5 Well Stimulation Service		\$0	\$0
2145.6 Frac tank Rental		\$28,000	\$0
2150 TRANSPORTATION SERVICES			
2150.1 Trucking		\$1,000	\$0
2155 SUPERVISION SERVICES			
2155.1 Drilling		\$3,300	\$1,500
2155.2 Completion		\$800	\$600
2155.3 Geological & Engineering		\$400	\$0
		\$0	\$0
Well Subtotal.....		\$242,200	\$157,150
Supervision Fees.....		\$318,255	\$177,856
Total AFE		\$0	\$0
		\$318,255	\$177,856

Paid-Up Oil and Gas Lease

This Agreement, made the 15th day of August, 2006, by and between Dayton A. Clutter and Hazel J. Clutter, his wife, of 210 S. Broadway St., Lodi, OH 44254, parties of the first part, hereinafter called the Lessor, and **North Coast Energy Eastern, Inc.**, P. O. Box 8, Ravenswood, WV 26164, party of the second part, hereinafter called the Lessee.

Witnesseth, That for and in consideration of the premises and of the mutual covenants and agreements hereinafter set forth, the Lessor and Lessee agree as follows:

LEASING CLAUSE: Lessor hereby leases exclusively to Lessee all the Oil, Gas and Coalbed Methane Gas and their constituents, whether hydrocarbon or non-hydrocarbon, underlying the land herein leased, together with such exclusive rights as may be necessary or convenient for Lessee, at its election, to explore for, develop, produce, measure, and market production from the Leasehold, and from adjoining lands, using methods and techniques which are not restricted to current technology; including the right to conduct geophysical and other exploratory tests; to drill, maintain, operate, cease to operate, plug, abandon, and remove wells, to use or install roads, electric power and telephone facilities, and to construct pipelines, with appurtenant facilities, including data acquisition, compression and collection facilities for use in the production and transportation of products from the Leasehold and from neighboring lands across the Leasehold, and such rights shall survive the term of this agreement for so long thereafter as operations are continued; to use oil, gas and non-domestic water sources, free of cost, to store gas of any kind underground, regardless of the source thereof, including the injection of gas therein and removing the same therefrom; to protect stored gas, to operate, maintain, repair and remove material and equipment. The premises or tract of land is situated in Grant District, Jackson County, West Virginia on the waters of Sandy Creek and bounded and described substantially, now or formerly, as follows:

On the North by lands of William Rector
On the East by lands of William Rector
On the South by lands of Dayton Clutter
On the West by lands of William Rector

containing 33/100 (0.33) of an acre, more or less, and being the same land conveyed to the Lessor by Carolyn Schakow, et al, by deed dated November 4, 1991, and recorded in the office of the Clerk of the County Court of Jackson County, in Deed Book 297, at Page 84, reserving therefrom 200 feet from the buildings now on said land on which no wells shall be drilled by either party except by mutual consent. **Lessee reserves 200' around each well bore for operational purposes.**

It is agreed that this lease shall remain in force for the term of Two (2) years from this date and as long thereafter as the lessee is engaged in the production of or search for oil and gas, or either of them, on the leases premises.

IN CONSIDERATION OF THE FOREGOING the said Lessee covenants and agrees:

First: To deliver to the credit of the Lessor, free of cost, in the pipeline or tanks to which the wells of the Lessee may be connected, as royalty the equal one-eighth part of all oil and natural gasoline produced, saved and transported from the leased premises; or, at the Lessee's option to pay to the Lessor an amount equal to the market price at the well of such one-eighth royalty, based on the market price of oil and natural gasoline of like grade and gravity prevailing on the date such oil and natural gasoline is run into the pipeline or into storage tanks.

Second: To pay to the Lessor one-eighth of the prevailing field price, at the well, for the gas, including coalbed methane gas, and other hydrocarbons (except coal) which are produced, marketed and used off the premises from each and every gas well drilled on said premises. Lessor shall pay a proportionate part of all ad valorem, excise, occupation, depletion, privilege, license, severance, processing, production or other taxes now or hereafter levied or assessed or charged on the oil and or gas produced from the land.

Third: Upon approval of Lessor's request for free gas and the execution of a Consumer Gas Agreement, the Lessor may use gas for heating and lighting the inside of one dwelling house, situate on the leased premises, from any one well thereon producing more gas than is necessary for the operation of this lease, provided the Lessor uses the same without waste, and furnishes and uses, at his own cost and risk, economical lighting and heating appliances. Lessor's use of gas under this clause shall be limited to 150,000 cubic feet per annum. All gas used in excess of 150,000 cubic feet per year, shall be paid for by the user thereof, at a rate equal to the then current published rate, for gas utility, for the town nearest the premises above described. The use by Lessor (or the use by any other party with the permission of Lessor) of gas pursuant to the foregoing provisions shall constitute an agreement by Lessor (and such other user) to indemnify and save Lessee harmless from all claims and demands for personal injury (including death) and for property damages incurring in any way and to all persons and property from the use of said gas, Lessee's facilities and all other facilities used or attempted to be used for such purposes.

Fourth: To pay for damages done to growing crops occasioned by the location and drilling of any well or wells.

Fifth: To pay Lessor Two hundred fifty (\$250.00) dollars in advance, which shall be payment in full until the commencement of Royalty payments. Delay Rental paid for time beyond the commencement date of Royalty payments shall be credited upon the Royalty payment.

If a well capable of producing gas in paying quantities located on the leased premises (or on acreage pooled or consolidated with all or a portion of the leased premises into a unit for the drilling or operation of such well) is at any time shut-in and no gas or gas-condensate therefrom is sold or used off the premises or the manufacture of gasoline or other products, nevertheless such shut-in well shall be deemed to be a well on the leased premises producing gas in paying quantities and the lease will continue in force during all of the time or times while such well is so shut-in, whether before or after expiration of the primary term hereof. Lessee shall use reasonable diligence to utilize gas or gas and gas-condensate capable of being produced from such shut-in well and shall be under no obligation to market such products under terms, conditions or circumstances which, in lessee's judgment exercised in good faith, are unsatisfactory. Lessee shall be obligated to pay or tender to lessor within 45 days after the expiration of each period one year length (annual period) during which such well is so shut-in, as royalty, an amount equal to the annual delay rental herein provided applicable to the interest of lessor in acreage embraced in this lease as of the end of such annual period, or, if this lease does not provide for any delay rental, then sum of \$5.00 per net acre; provided that, if gas or gas condensate from such well is sold or used as aforesaid before the end of any such annual period, lessee shall not obligated to pay or tender, for that particular annual period, said sum of money. Such payment shall be deemed a royalty under all provisions of this lease. Such payment may be made or tendered to lessor or to lessee's credit in depository bank designated. Royalty ownership as of the last day of each such annual period as shown by lessee's records shall govern the determination of the party or parties entitled to receive such payment.

Sixth: Lessee at its option may combine the above property, or any part thereof, with other tracts of land (leased or owned by Lessee) for a drilling unit of not more than three hundred acres, plus 10% acreage tolerance, on which unit one or more wells may be drilled above the top of the Onondaga, and not more than six hundred forty acres, plus 10 % acreage tolerance, on which one or more wells may be drilled below the Onondaga.

The Lessee, alone or with other Lessees, may form any pool or unit by executing, acknowledging and filing for record in the office of the clerk in the county court of the county in which the pooled or unitized land is located a declaration of such pooling or unitizing, identifying and describing the pooled or unitized area. A copy of the declaration shall be mailed to the Lessor. Such pooling or unitizing shall be effective on and after the date of the declaration. If a well drilled on the pooled or unitized area is productive, all royalties payable hereunder shall be prorated in the direct proportion that the acreage of the premises covered by this lease bears to the total acreage in said unit. Lessor agrees to give free right of way for all production and service lines of Lessee. The commencement of operations for the drilling of a well on any premises included in each unit or production of oil and gas at any location on said unit shall have the same force and effect as drilling operations being conducted or production obtained from the leased premises for the purpose of extending the term of this lease, the payment of royalties hereunder and for all other purposes, excepting paragraph Third, to the same extent as if operations were commenced or production were obtained from the leased premises. At any time the pooled or unitized area is not being operated in search for or production of said minerals, the Lessee, or Lessees, creating the pool or unit, may surrender or cancel the declaration of pooling or unitizing in the same manner by which said lease may be surrendered under the terms hereof.

This lease may be unitized or pooled in accordance with the foregoing provisions with respect to any one or more stratas of the land, and, in such event, the unit or pool shall apply only to the strata or stratas so specified.

Seventh: If Lessors are not the owners of the full fee estate of oil, gas, coalbed methane gas and other hydrocarbons (except coal) in an underlying the leased premises, then all rental and royalty payments provided for herein (which are based upon such full ownership) shall be reduced and paid pro rata to the same extent the Lessor's ownership is less than the full fee ownership.

Eighth: All payments under this lease shall be made direct to the Lessor, or by check mailed to the address shown in caption.

Ninth: Lessee may surrender and cancel this Lease as to all or any part of the Leasehold by recording a Surrender of Lease, and if a partial surrender, the Delay Rental shall be reduced in proportion to the acreage surrendered.

Tenth: It is agreed that the terms and conditions herein contained shall be binding upon the heirs, successors or assigns of the parties hereto.

Eleventh: In the event of a disagreement between Lessor and Lessee concerning this lease, performance thereunder, or damages caused by Lessee's operations, settlement shall be determined by a panel of three disinterested arbitrators. Lessor and Lessee shall appoint and pay the fee of one each, and the two so appointed shall appoint the third, whose fee shall be borne equally by Lessor and Lessee. The award shall be by unanimous decision of the arbitrators and shall be final.

Twelfth: This lease is for unitization only, no surface operations will be conducted on the leased premises.

WITNESS the following signatures and seals:

_____ (seal)	<u>Dayton A. Clutter</u> (seal)
_____ (seal)	<u>Hazel J. Clutter</u> (seal)

This instrument prepared by North Coast Energy Eastern, Inc., PO Box 8, Ravenswood, WV 26164
Signed: _____

ACKNOWLEDGEMENT

STATE OF OHIO
COUNTY OF _____

The foregoing instrument acknowledged before me this the _____ day of _____, 2006, by Dayton A. Clutter and Hazel J. Clutter, his wife, being person(s) known to me to be the same person(s) described herein.

Commissioner

My commission expires _____

ACKNOWLEDGEMENT

STATE OF OHIO
COUNTY OF MEDINA

The foregoing instrument acknowledged before me this the 10TH day of OCTOBER, 2006, by Dayton A. Clutter and Hazel J. Clutter
being person(s) known to me to be the same person(s) described herein

[Signature]
Notary Public

My commission expires 11/26/2007

Mail to North Coast Energy Eastern, Inc., PO Box 8, Ravenswood, WV 26164



NATHAN D. SEARS
Notary Public, State of Ohio
My Commission Expires Nov. 26, 2007

Paid-Up Oil and Gas Lease

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BEFORE THE OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF WEST VIRGINIA

DOCKET NO. 173

CAUSE NO. 49

IN THE MATTER OF THE REQUEST BY NORTH COAST
ENERGY EASTERN FOR AN ORDER FROM THE COMMISSION
POOLING THE INTERESTS OF AN OIL AND GAS OWNER FOR
THE DEVELOPMENT AND OPERATION OF UNIT BLOCK #43
IN THE ORISKANY SANDSTONE POOL OF THE SILVERTON,
GRANT DISTRICT, JACKSON COUNTY WEST VIRGINIA.

On the 14th day of September, 2006, beginning
at 10:30 a.m., at the offices of the West
Virginia Department of Environmental Protection,
601 57th Street, Charleston, Kanawha County, West
Virginia, before James D. Nielsen, Court Reporter
and a Notary Public in and for the State of West
Virginia, a hearing was taken in the above-named
action pursuant to notice of the West Virginia
Department of Environmental Protection, Oil and
Gas Conservation Commission.

ACCURATE REPORTING SERVICE, INC.
526 SEVENTH STREET
HUNTINGTON, WEST VIRGINIA 25701

(304) 345-9891 * (304) 522-9637 * (606) 329-2154

APPEARANCES:

On Behalf of the West Virginia Department of
Environmental Protection, Oil and Gas
Conservation Commission:

Barry K. Lay: Commissioner
James Martin
Brett Loflin
Bob Radabugh
Tony Gum

On behalf of North Coast Energy, Inc.:

CHARLES B. DOLLISON, ESQ.
Bowles, Rice, McDavid, Graff & Love
600 Quarrier Street
Charleston, West Virginia 25301
(304) 347-1100

ALSO PRESENT:

Tony Anderson, North Coast Energy, Inc.
George M. Puskas, North Coast Energy, Inc.
Dayton Clutter
Hazel Clutter

I N D E X

EXAMINATION OF GEORGE PUSKAS: PAGE

By Mr. Dollison 9

EXAMINATION OF TONY ANDERSON:

By Mr. Dollison 13

COPY

EXHIBITS:

DEP Exhibit No. 1	4
DEP Exhibit No. 2	4
North Coast Exhibit No. 1	7
North Coast Exhibit No. 2	7
North Coast Exhibit No. 3	7
North Coast Exhibit No. 4	7
Reporter's Certificate	24
Signature Sheet	None
Errata Sheet	None
Witness Letter	None

PROCEEDING

MR. LAY: Before the Oil and Gas

Conservation Commission of the State of West

Virginia in the matter of the request by

North Coast Energy Eastern for an order from the

Commission pooling the interests of an oil and

gas owner for the development and operation of

Unit Block No. 43 in the Oriskany Sandstone Pool

of the Silverton, Grant District, Jackson County,

West Virginia. This is docket No. 173, Cause

No. 49.

I would like to place of record at this time

a copy of the Notice of Hearing along with the

certified receipts as Exhibit 1; and a copy of a

letter requesting hearing from North Coast

Energy, Inc., dated August 21st, including an

attached map, as Exhibit 2.

(DEP Exhibits 1 and 2 marked for identification.)

MR. LAY: Let the record show present

are members of the Commission, James Martin,

Robert Radabugh, Tony Gum and Barry Lay, and

Brett Loflin from staff.

At this time the Commission will take

appearances.

1 MR. DOLLISON: Charles Dollison with
2 Bowles, Rice, McDavid, Graff & Love representing
3 North Coast Eastern. With me is George Puskas
4 from North Coast Energy and also Tony Anderson,
5 North Coast Energy.

6 MR. LAY: Mr. and Mrs. Clutter, will you
7 please state your names for the record.

8 MRS. CLUTTER: My name is Hazel Clutter.

9 MR. CLUTTER: My name is Dayton Clutter.

10 MR. LAY: At this time would the court
11 reporter please swear the witnesses.

12 (Whereupon said witnesses were duly sworn.)

13 MR. LAY: Let's go off the record for
14 one moment.

15 (Break.)

16 MR. LAY: It's come to our attention
17 that the newspaper publication of Notice of this
18 Hearing has not been filed in this case.
19 However, the individuals involved did receive
20 personal service through U.S. mail, registered
21 mail, and we do have return receipts from them.

22 At this time, Mr. and Mrs. Clutter, do you
23 agree to continue with today's proceedings?

24 MR. CLUTTER: Yes.

1 MRS. CLUTTER: Yes.

2 MR. LAY: They both answered in the
3 affirmative, so therefore we will continue with
4 today's hearing.

5 Mr. Dollison, do you want to proceed with
6 your case.

7 MR. DOLLISON: Thank you, Mr. Chairman.
8 Before I proceed I've got a set of exhibits and I
9 would like to get these marked as exhibits. As
10 North Coast Energy Exhibit 1 -- and I'll just go
11 through these. Exhibit 1 is the prior Commission
12 order from 1981 establishing the special field
13 rules for the Silverton Oriskany Field in Jackson
14 County.

15 And I've got Exhibit No. 2 which is the North
16 Coast unit map showing the acreage in the unit
17 and the ownership of the parties in the unit.

18 I've got North Coast Energy Exhibit 3 which
19 is a written list of the oil and gas owners in
20 the unit and the percentage of ownership in the
21 unit.

22 And then Exhibit No. 4 for North Coast is the
23 AFE for the proposed Oriskany Well. So if I can
24 have all those marked, and then I would...

1 (North Coast Exhibits 1 through 4 marked for
2 identification.)

3 MR. DOLLISON: If I can call your
4 attention to Exhibit No. 1, which is the April
5 10, 1981 order of this Commission in Cause
6 No. 49, Order No. 1, establishing a special field
7 rule for the Oriskany Sand -- the Silverton Field
8 in Jackson County, West Virginia. The
9 application today is for Unit No. 43 as shown on
10 the map of the 1981 order.

11 Exhibit No. 2 shows the 206.61 acre
12 Oriskany Unit No. 43 and the ownership of the
13 parties in the unit. North Coast has 75.97
14 percent of the acreage in the unit under lease.
15 Cabot owns 23.87 percent. And as indicated
16 earlier, Cabot and North Coast are entering into
17 a joint operating agreement with North Coast as
18 the operator for Cabot's interests in the unit.
19 And North Coast will provide the executed JOA for
20 Cabot's interest as a post-hearing exhibit if
21 that is acceptable with the Commission.

22 Mr. and Mrs. Clutter own .33 acres in
23 the unit, which is one-sixteenth of 1 percent in
24 the unit. It's shown at the bottom left-hand

1 corner of the map. North Coast has offered to
2 lease the Clutter's interest and/or buy the
3 Clutter's interest in the unit.

4 Exhibit No. 3 is just a written list
5 that corresponds with the map showing the owners
6 of the minerals and their acres and percentage in
7 the unit.

8 Exhibit No. 4 shows the AFE for the well
9 on a completed basis, a dry hole basis, and the
10 AFE cost is \$316,255.

11 And at this time I would like to present
12 some testimony from Mr. Puskas of North Coast
13 Energy with regard to the analysis of the title
14 ownership and the Exhibits 2 and 3, unless the
15 Commission has any questions prior to that.

16 MR. LAY: Anyone have any questions
17 prior?

18 MR. GUM: None for me.

19 MR. LAY: You may call your first
20 witness.

21 MR. DOLLISON: North Coast Energy calls
22 George Puskas.

EXAMINATION OF GEORGE PUSKAS

9

BY MR. DOLLISON:

Q. Would you please state your full name.

A. My name is George M. Puskas, I'm a staff landman for North Coast Energy Eastern.

Q. Are you familiar with the proposed Unit No. 43 in the Silverton Oriskany Field?

A. Yes, I am.

Q. Has North Coast Energy conducted a title examination for the oil and gas ownership of the acreage in this unit?

A. Yes, we have.

Q. Is that ownership reflected on Exhibits 2 and 3 presented today?

A. Yes, it is.

Q. Is North Coast Energy entering into a joint operating agreement with Cabot for it's interest in the unit?

A. Yes, we are. We're negotiating that right now.

Q. Has North Coast Energy offered to lease or buy the interest of Mr. Clutter in the unit?

A. Yes, we did.

Q. Has Mr. Clutter refused any of those

offers?

A. Yes.

Q. Do you have any further testimony to provide today?

A. Just the fact that the map that we have here was prepared by a registered surveyor based on proper descriptions in the area. And the percentages of the unit were calculated based on his acreages that he calculated for the survey.

Q. In addition to the survey you had title examinations done on each tract comprising the unit?

A. Yes.

Q. And is it correct that North Coast Energy has leased 156.97 acres in the unit?

A. Yes, we have.

MR. DOLLISON: Thank you, sir. I do not have any further questions.

MR. LAY: Mr. And Mrs. Clutter, you're not represented by counsel, but you're more than welcome to ask questions of the witness if you have any.

MR. CLUTTER: Well, I thought it was my mineral rights and I should have the right to say

whether I leased it or not.

MR. LAY: And that's something that you can say when you're called to respond to this. My question to you is, do you have any questions of this witness?

MR. CLUTTER: No.

MR. LAY: You're more than welcome to ask anything of what he's testified on, if you don't understand it.

MR. CLUTTER: No, he did -- well, I've got a lease, I don't want to lease it, I didn't want to pool. I've got a lease, or they sent me a lease. He drove up to my house and brought me some papers. That's when he said that his boss put him in a position to buy the third acre. I told him all or nothing. Evidently they'd rather just take it and use it than to buy it.

MR. LAY: Any questions from members of the Commission?

MR. RADABUGH: I'm assuming that you own additional property that's outside of this boundary?

MR. CLUTTER: I own 49.6 acres.

MR. RADABUGH: Total. But only .33

acres is within this unit?

MR. PUSKAS: Yes.

MR. GUM: Was the offer to buy or lease only the .33?

MR. PUSKAS: Yes.

MR. CLUTTER: No. He wanted to lease the 49.6, and I turned that down. So he come up to my house and he said that all he needed was .33, a third acre. I told him no. He said he was in the position to buy it. I told him all or nothing.

MR. LAY: We're getting ahead asking Mr. Clutter questions. We're concentrating on one witness at this time.

Any other questions of the witness?

MR. RADABUGH: No.

MR. GUM: Not me.

MR. LAY: Nothing from staff?

MR. LOFLIN: No.

MR. LAY: Call your next witness.

MR. DOLLISON: Mr. Chairman, at this time North Coast Energy does not have any further witnesses, unless the Commission requests Mr. Anderson to testify about the cost of the

1 well.

2 The AFE has been provided, if you have any
3 questions about the cost of the well or how they
4 propose to allocate operating costs I can call
5 Mr. Anderson as a witness. It just depends on
6 how you want to proceed.

7 MR. LAY: If you wouldn't mind, would
8 you at least get on the record that he's familiar
9 with the AFE, he prepared it and explain it so
10 that they understand what the AFE is, please.

11 EXAMINATION OF TONY ANDERSON

12 BY MR. DOLLISON:

13 Q. Mr. Anderson, would you state your full
14 name for the record.

15 A. Tony L. Anderson.

16 Q. We have previously introduced North
17 Coast Energy Exhibit No. 4, which is the AFE for
18 the proposed Oriskany Well in Unit 43. Are you
19 familiar with Exhibit No. 4?

20 A. Yes, I am.

21 Q. Can you provide a general description or
22 explanation of what an AFE is?

23 A. North Coast used an AFE system, it's
24 Authority For Approved Expenditure. It's

1 basically our cost from day one of drilling the
2 well all the way through getting the well into
3 line, which includes the drilling rig and the
4 pipe, cement services, bracking, pipe laying.
5 It's everything that we believe the cost should
6 be to drill this well and apply it into
7 production.

8 So whenever somebody invests into our well we
9 provide them with this expenditure breakdown so
10 that they know what our best estimate for the
11 expenditures to drill the well is. So when they
12 elect to participate in the well they elect to
13 spend their share of that money to gain the
14 interests into the well.

15 Q. And what is the total cost for this
16 proposed Oriskany Well?

17 A. \$316,255.

18 Q. Mr. Anderson, have you made any economic
19 analysis of the .16 interest owned by Mr. Clutter
20 in the unit as to the value of the royalty
21 interests, or if he participated, his working
22 interest, based on that percentage?

23 A. North Coast engineers have looked at
24 this and I have reviewed it. We made three

1 runs. We made a run basically saying what the
2 value we believe the .16 would be for a royalty
3 interest, assuming 12 1/2 percent royalty base.
4 That value on a PV 10, PV 10 is a present
5 value -- out of that 10 percent value is \$189,000
6 (sic), is what we believe that that would be for
7 that well. \$189.

8 MR. LAY: Clarify that --

9 A. \$189, sorry. It's .189 in dollars.

10 MR. LAY: I'm glad you clarified that.

11 A. Sorry. We also --

12 Q. I'm sorry to interrupt you,
13 Mr. Anderson, but the \$189 would represent the
14 royalty interests?

15 A. It represents the royalty interests if
16 he signed the lease on that .33 acres of what he
17 would receive at our best estimate over the next
18 75 years on a PV 10 discounted value.

19 MR. LAY: Okay.

20 A. We also made a second run. We assumed
21 that the lease would get to 12 1/2 percent --
22 their share of the 12 1/2 percent royalty into a
23 200 percent reversionary. What that means is
24 once we recoup 200 percent of the money we put

1 into the well that then they would turn into a
2 working owner at that point, that meaning the
3 royalty, and then they would also get their
4 working interests after.

5 That value, on a PV 10 value also, 75 years,
6 is \$369.

7 Q. So just for clarification, Mr. Anderson,
8 based on North Coast's economic analysis, the
9 value of the royalty interests owned by the
10 Clutters in the unit over the life of the well is
11 \$189; is that correct?

12 A. That's correct.

13 Q. And then you've calculated the value of
14 the working interests on the 200 percent carry
15 basis?

16 A. Yes.

17 Q. What was that number again?

18 A. \$369.

19 MR. DOLLISON: Thank you, Mr. Anderson.
20 No further questions at this time.

21 MR. LAY: Can I clarify, the second
22 number, your carry -- or the non-consent
23 provision, \$369, does that include both the
24 working interest and the royalty, or is that just

1 the working interest value?

2 MR. ANDERSON: That includes both the
3 workings and the royalties.

4 MR. LAY: Mr. and Mrs. Clutter, do you
5 have any questions of this particular witness?

6 MR. CLUTTER: No. I mean, \$189, 75
7 years, I don't think I've got another 75.

8 MR. LAY: I understand. Any questions
9 from members of the Commission? I've got a
10 couple questions I want to make sure that -- and
11 Brett, you probably have the answers to these.

12 I'm not sure which witness is the proper one,
13 Mr. Dollison, to answer the questions, but
14 without reading the order, do we have -- do the
15 locations conform to the spacing requirements
16 that were issued in the original order?

17 MR. PUSKAS: Yes, they do.

18 MR. LAY: And it's proper distance off
19 unit boundaries?

20 MR. PUSKAS: Yes.

21 MR. DOLLISON: If you want we can put
22 Mr. Puskas back on the record.

23 MR. LAY: As long as we know that they
24 do -- the requirements of the spacing as set up

1 in the original special field rules --

2 MR. PUSKAS: Yes, they do. It's in
3 excess of 3,000 feet from any other Oriskany or
4 proposed Oriskany location, and it's in excess of
5 1,000 feet from the unit boundary line.

6 MR. LAY: And the plat shows that?

7 The property or the location of the well and
8 the property of the Clutters, are there going to
9 be any surface operations whatsoever on the
10 Clutters' property?

11 MR. PUSKAS: No, there will not.

12 MR. LAY: No roads?

13 MR. PUSKAS: No.

14 MR. LAY: We have no issues with
15 distance from unit boundaries and we have no
16 spacing issues, we have no surface operation
17 issues. I have no further questions.

18 Brett, do you have any?

19 MR. LOFLIN: I have one question just to
20 clarify one statement, Mr. Puskas. The order
21 actually states that the wells shall be drilled
22 no closer than 2,000 feet, instead of 3,000. I
23 don't think it's all that relevant, but just to
24 clarify for the record.

1 My other question was, on your estimated
2 revenue to the Clutters, you had to have some
3 estimated production that you used, what was
4 that?

5 MR. ANDERSON: The estimated production
6 is to have ultimate reserve recoveries of 295
7 million cubic feet in the 75 years. Initial rate
8 was 2,657 a month, with an initial decline rate
9 of 74 percent at a 2.5 B factor, is how it's
10 described in engineering. I can quote the
11 volumes if need be.

12 MR. LOFLIN: No, that is satisfactory
13 for my interests.

14 Barry, that's all the questions I have.

15 MR. LAY: No other questions from
16 members of the Commission?

17 Nothing further from North Coast?

18 MR. DOLLISON: Nothing further,
19 Mr. Chairman.

20 MR. LAY: At this time, since you're not
21 represented by counsel, we will let you present
22 what you wish the Commission to hear on behalf of
23 yourself. And at that time then North Coast will
24 be able to ask you questions after you presented

1 what you want us to hear.

2 MR. DOLLISON: Mr. Chairman, pardon me
3 for interrupting, but perhaps it might be helpful
4 for you to just explain to the Clutters the
5 options that they have with regard to force
6 pooling. I'm not sure that they fully -- that
7 they understand that. It might be helpful before
8 they ask questions if they know how the statute
9 works and what their options are for today's
10 purposes.

11 MR. LAY: Let's go off the record for
12 that conversation.

13 (Discussion was held off the record.)

14 MR. LAY: Mr. and Mrs. Clutter, you're
15 welcome to present what you want us to hear.

16 MR. CLUTTER: I'm not leasing it and I'm
17 not -- you know, if they take it, they take it,
18 you know. I'm not leasing it. I'm not signing
19 nothing, because there is too many oil leases
20 that I've seen that's got run out roads and I
21 just don't want them on my property.

22 MR. LAY: You --

23 MR. CLUTTER: I'm not leasing it. If
24 there's a law that they can get it, I've done all

1 I can do, I've come down to listen.

2 MR. RADABUGH: From what I understand
3 they're not -- physically they're not going to be
4 on your property.

5 MR. CLUTTER: No, not now, but they
6 wanted the 49.6 acres to start with.

7 MR. LAY: Would you be interested in
8 leasing the .33 acres in this particular unit to
9 them?

10 MR. CLUTTER: Not now.

11 MR. LAY: Not now?

12 MR. CLUTTER: Not after what I've been
13 through for \$189, hell no, you know. For 75
14 years, no. Now, you guys do what you got to do.

15 MR. LAY: Mr. Dollison, do you have any
16 questions of Mr. and Mrs. Clutter?

17 MR. DOLLISON: I don't really have any
18 questions, Mr. Chairman.

19 MR. LAY: Questions from members of the
20 Commission? Staff?

21 MR. LOFLIN: No.

22 MR. LAY: The only thing that I want to
23 say, off the record we had a discussion of your
24 options based upon the existence of special field

1 rules in this area. You understand that
2 discussion?

3 MR. CLUTTER: Yeah.

4 MR. LAY: So you understand what your
5 options are?

6 MR. CLUTTER: Well, they're about the
7 same either way, about as broad as it is long.

8 MR. LAY: If there's no other questions
9 then we'll go off the record.

10 (Break.)

11 MR. LAY: Do we have a motion?

12 MR. RADABUGH: I'll make a motion. I
13 make a motion to grant the relief sought of force
14 pooling by North Coast Energy according to law,
15 Chapter 22, C9.

16 MR. GUM: And I'll second that motion.

17 MR. LAY: It's been properly moved and
18 seconded. Any further discussion? All those in
19 favor of the motion, aye.

20 THE COMMISSION: Aye.

21 MR. LAY: Opposed, nay.

22 The motion carries.

23 Through order of the Commission that we
24 grant the relief sought we would ask that counsel

1 for North Coast draft a proposed order and supply
2 it to staff for the pooling of the unit. Is
3 there anything that anyone would like to place of
4 record before I close the record?

5 MR. DOLLISON: No, Mr. Chairman. We
6 just want to confirm that the Exhibits 1 through
7 4 previously marked by North Coast Energy will be
8 admitted into the record.

9 MR. LAY: Yes. Would you please accept
10 those as part of the record. That being the
11 case, I'll close the record. Thank you.

12 (This hearing concluded at 11:30 a.m.)
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1 STATE OF WEST VIRGINIA,

2 COUNTY OF KANAWHA, to-wit:

3

4 I, James D. Nielsen, Court Reporter and a
5 notary public within and for the county and state
6 aforesaid, duly commissioned and qualified, do
7 hereby certify that the foregoing hearing of the
8 West Virginia Department of Environmental
9 Protection, Oil and Gas Conservation Commission,
10 was duly taken by and before me at the time and
11 place specified in the caption hereof.

12 I do further certify that the said hearing
13 was correctly taken by me in stenotype notes,
14 that the same were accurately written out in full
15 and reduced to typewriting; and that said
16 deposition is a true record of the hearing.

17 I do further certify that I am neither
18 attorney or counsel for, not related to or
19 employed by, any of the parties to the action in
20 which this hearing is taken, and further that I
21 am not a relative or employee of any attorney or
22 counsel employed by the parties hereto or
23 financially interested in this action.

24 My commission expires May 15, 2016.

Given under my hand this 21st day of October,
2006.

James D. Nielsen
Court Reporter/Notary Public

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BEFORE THE OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF WEST VIRGINIA

DOCKET NO. 173

CAUSE NO. 49

IN THE MATTER OF THE REQUEST BY NORTH COAST
ENERGY EASTERN FOR AN ORDER FROM THE COMMISSION
POOLING THE INTERESTS OF AN OIL AND GAS OWNER FOR
THE DEVELOPMENT AND OPERATION OF UNIT BLOCK #43
IN THE ORISKANY SANDSTONE POOL OF THE SILVERTON,
GRANT DISTRICT, JACKSON COUNTY WEST VIRGINIA.

On the 14th day of September, 2006, beginning
at 10:30 a.m., at the offices of the West
Virginia Department of Environmental Protection,
601 57th Street, Charleston, Kanawha County, West
Virginia, before James D. Nielsen, Court Reporter
and a Notary Public in and for the State of West
Virginia, a hearing was taken in the above-named
action pursuant to notice of the West Virginia
Department of Environmental Protection, Oil and
Gas Conservation Commission.

ACCURATE REPORTING SERVICE, INC.
526 SEVENTH STREET
HUNTINGTON, WEST VIRGINIA 25701

(304) 345-9891 * (304) 522-9637 * (606) 329-2154

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APPEARANCES:

On Behalf of the West Virginia Department of
Environmental Protection, Oil and Gas
Conservation Commission:

Barry K. Lay: Commissioner

James Martin

Brett Loflin

Bob Radabugh

Tony Gum

On behalf of North Coast Energy, Inc.:

CHARLES B. DOLLISON, ESQ.
Bowles, Rice, McDavid, Graff & Love
600 Quarrier Street
Charleston, West Virginia 25301
(304) 347-1100

ALSO PRESENT:

Tony Anderson, North Coast Energy, Inc.

George M. Puskas, North Coast Energy, Inc.

Dayton Clutter

Hazel Clutter

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I N D E X

EXAMINATION OF GEORGE PUSKAS: PAGE

By Mr. Dollison 9

EXAMINATION OF TONY ANDERSON:

By Mr. Dollison 13

EXHIBITS:

DEP Exhibit No. 1 4

DEP Exhibit No. 2 4

North Coast Exhibit No. 1 7

North Coast Exhibit No. 2 7

North Coast Exhibit No. 3 7

North Coast Exhibit No. 4 7

Reporter's Certificate 24

Signature Sheet None

Errata Sheet None

Witness Letter None

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PROCEEDING

MR. LAY: Before the Oil and Gas
Conservation Commission of the State of West
Virginia in the matter of the request by
North Coast Energy Eastern for an order from the
Commission pooling the interests of an oil and
gas owner for the development and operation of
Unit Block No. 43 in the Oriskany Sandstone Pool
of the Silvertown, Grant District, Jackson County,
West Virginia. This is docket No. 173, Cause
No. 49.

I would like to place of record at this time
a copy of the Notice of Hearing along with the
certified receipts as Exhibit 1; and a copy of a
letter requesting hearing from North Coast
Energy, Inc., dated August 21st, including an
attached map, as Exhibit 2.

(DEP Exhibits 1 and 2 marked for identification.)

MR. LAY: Let the record show present
are members of the Commission, James Martin,
Robert Radabugh, Tony Gum and Barry Lay, and
Brett Loflin from staff.

At this time the Commission will take
appearances.

1 MR. DOLLISON: Charles Dollison with
2 Bowles, Rice, McDavid, Graff & Love representing
3 North Coast Eastern. With me is George Puskas
4 from North Coast Energy and also Tony Anderson,
5 North Coast Energy.

6 MR. LAY: Mr. and Mrs. Clutter, will you
7 please state your names for the record.

8 MRS. CLUTTER: My name is Hazel Clutter.

9 MR. CLUTTER: My name is Dayton Clutter.

10 MR. LAY: At this time would the court

11 reporter please swear the witnesses.

12 (Whereupon said witnesses were duly sworn.)

13 MR. LAY: Let's go off the record for
14 one moment.

15 (Break.)

16 MR. LAY: It's come to our attention
17 that the newspaper publication of Notice of this
18 Hearing has not been filed in this case.

19 However, the individuals involved did receive
20 personal service through U.S. mail, registered
21 mail, and we do have return receipts from them.

22 At this time, Mr. and Mrs. Clutter, do you
23 agree to continue with today's proceedings?

24 MR. CLUTTER: Yes.

1 MRS. CLUTTER: Yes.

2 MR. LAY: They both answered in the
3 affirmative, so therefore we will continue with
4 today's hearing.

5 Mr. Dollison, do you want to proceed with
6 your case.

7 MR. DOLLISON: Thank you, Mr. Chairman.
8 Before I proceed I've got a set of exhibits and I
9 would like to get these marked as exhibits. As
10 North Coast Energy Exhibit 1 -- and I'll just go
11 through these. Exhibit 1 is the prior Commission
12 order from 1981 establishing the special field
13 rules for the Silverton Oriskany Field in Jackson
14 County.

15 And I've got Exhibit No. 2 which is the North
16 Coast unit map showing the acreage in the unit
17 and the ownership of the parties in the unit.

18 I've got North Coast Energy Exhibit 3 which
19 is a written list of the oil and gas owners in
20 the unit and the percentage of ownership in the
21 unit.

22 And then Exhibit No. 4 for North Coast is the
23 AFE for the proposed Oriskany Well. So if I can
24 have all those marked, and then I would...

1 (North Coast Exhibits 1 through 4 marked for
2 identification.)

3 MR. DOLLISON: If I can call your
4 attention to Exhibit No. 1, which is the April
5 10, 1981 order of this Commission in Cause
6 No. 49, Order No. 1, establishing a special field
7 rule for the Oriskany Sand -- the Silverton Field
8 in Jackson County, West Virginia. The
9 application today is for Unit No. 43 as shown on
10 the map of the 1981 order.

11 Exhibit No. 2 shows the 206.61 acre
12 Oriskany Unit No. 43 and the ownership of the
13 parties in the unit. North Coast has 75.97
14 percent of the acreage in the unit under lease.
15 Cabot owns 23.87 percent. And as indicated
16 earlier, Cabot and North Coast are entering into
17 a joint operating agreement with North Coast as
18 the operator for Cabot's interests in the unit.
19 And North Coast will provide the executed JOA for
20 Cabot's interest as a post-hearing exhibit if
21 that is acceptable with the Commission.

22 Mr. and Mrs. Clutter own .33 acres in
23 the unit, which is one-sixteenth of 1 percent in
24 the unit. It's shown at the bottom left-hand

1 corner of the map. North Coast has offered to
2 lease the Clutter's interest and/or buy the
3 Clutter's interest in the unit.

4 Exhibit No. 3 is just a written list
5 that corresponds with the map showing the owners
6 of the minerals and their acres and percentage in
7 the unit.

8 Exhibit No. 4 shows the AFE for the well
9 on a completed basis, a dry hole basis, and the
10 AFE cost is \$316,255.

11 And at this time I would like to present
12 some testimony from Mr. Puskas of North Coast
13 Energy with regard to the analysis of the title
14 ownership and the Exhibits 2 and 3, unless the
15 Commission has any questions prior to that.

16 MR. LAY: Anyone have any questions
17 prior?

18 MR. GUM: None for me.

19 MR. LAY: You may call your first
20 witness.

21 MR. DOLLISON: North Coast Energy calls
22 George Puskas.

EXAMINATION OF GEORGE PUSKAS

9

BY MR. DOLLISON:

Q. Would you please state your full name.

A. My name is George M. Puskas, I'm a staff landman for North Coast Energy Eastern.

Q. Are you familiar with the proposed Unit No. 43 in the Silverton Oriskany Field?

A. Yes, I am.

Q. Has North Coast Energy conducted a title examination for the oil and gas ownership of the acreage in this unit?

A. Yes, we have.

Q. Is that ownership reflected on Exhibits 2 and 3 presented today?

A. Yes, it is.

Q. Is North Coast Energy entering into a joint operating agreement with Cabot for it's interest in the unit?

A. Yes, we are. We're negotiating that right now.

Q. Has North Coast Energy offered to lease or buy the interest of Mr. Clutter in the unit?

A. Yes, we did.

Q. Has Mr. Clutter refused any of those

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offers?

A. Yes.

Q. Do you have any further testimony to provide today?

A. Just the fact that the map that we have here was prepared by a registered surveyor based on proper descriptions in the area. And the percentages of the unit were calculated based on his acreages that he calculated for the survey.

Q. In addition to the survey you had title examinations done on each tract comprising the unit?

A. Yes.

Q. And is it correct that North Coast Energy has leased 156.97 acres in the unit?

A. Yes, we have.

MR. DOLLISON: Thank you, sir. I do not have any further questions.

MR. LAY: Mr. And Mrs. Clutter, you're not represented by counsel, but you're more than welcome to ask questions of the witness if you have any.

MR. CLUTTER: Well, I thought it was my mineral rights and I should have the right to say

whether I leased it or not.

MR. LAY: And that's something that you can say when you're called to respond to this. My question to you is, do you have any questions of this witness?

MR. CLUTTER: No.

MR. LAY: You're more than welcome to ask anything of what he's testified on, if you don't understand it.

MR. CLUTTER: No, he did -- well, I've got a lease, I don't want to lease it, I didn't want to pool. I've got a lease, or they sent me a lease. He drove up to my house and brought me some papers. That's when he said that his boss put him in a position to buy the third acre. I told him all or nothing. Evidently they'd rather just take it and use it than to buy it.

MR. LAY: Any questions from members of the Commission?

MR. RADABUGH: I'm assuming that you own additional property that's outside of this boundary?

MR. CLUTTER: I own 49.6 acres.

MR. RADABUGH: Total. But only .33

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acres is within this unit?

MR. PUSKAS: Yes.

MR. GUM: Was the offer to buy or lease only the .33?

MR. PUSKAS: Yes.

MR. CLUTTER: No. He wanted to lease the 49.6, and I turned that down. So he come up to my house and he said that all he needed was .33, a third acre. I told him no. He said he was in the position to buy it. I told him all or nothing.

MR. LAY: We're getting ahead asking Mr. Clutter questions. We're concentrating on one witness at this time.

Any other questions of the witness?

MR. RADABUGH: No.

MR. GUM: Not me.

MR. LAY: Nothing from staff?

MR. LOFLIN: No.

MR. LAY: Call your next witness.

MR. DOLLISON: Mr. Chairman, at this time North Coast Energy does not have any further witnesses, unless the Commission requests Mr. Anderson to testify about the cost of the

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1 well.

2 The AFE has been provided, if you have any
3 questions about the cost of the well or how they
4 propose to allocate operating costs I can call
5 Mr. Anderson as a witness. It just depends on
6 how you want to proceed.

7 MR. LAY: If you wouldn't mind, would
8 you at least get on the record that he's familiar
9 with the AFE, he prepared it and explain it so
10 that they understand what the AFE is, please.

11 EXAMINATION OF TONY ANDERSON

12 BY MR. DOLLISON:

13 Q. Mr. Anderson, would you state your full
14 name for the record.

15 A. Tony L. Anderson.

16 Q. We have previously introduced North
17 Coast Energy Exhibit No. 4, which is the AFE for
18 the proposed Oriskany Well in Unit 43. Are you
19 familiar with Exhibit No. 4?

20 A. Yes, I am.

21 Q. Can you provide a general description or
22 explanation of what an AFE is?

23 A. North Coast used an AFE system, it's
24 Authority For Approved Expenditure. It's

1 basically our cost from day one of drilling the
2 well all the way through getting the well into
3 line, which includes the drilling rig and the
4 pipe, cement services, bracking, pipe laying.
5 It's everything that we believe the cost should
6 be to drill this well and apply it into
7 production.

8 So whenever somebody invests into our well we
9 provide them with this expenditure breakdown so
10 that they know what our best estimate for the
11 expenditures to drill the well is. So when they
12 elect to participate in the well they elect to
13 spend their share of that money to gain the
14 interests into the well.

15 Q. And what is the total cost for this
16 proposed Oriskany Well?

17 A. \$316,255.

18 Q. Mr. Anderson, have you made any economic
19 analysis of the .16 interest owned by Mr. Clutter
20 in the unit as to the value of the royalty
21 interests, or if he participated, his working
22 interest, based on that percentage?

23 A. North Coast engineers have looked at
24 this and I have reviewed it. We made three

1 runs. We made a run basically saying what the
2 value we believe the .16 would be for a royalty
3 interest, assuming 12 1/2 percent royalty base.
4 That value on a PV 10, PV 10 is a present
5 value -- out of that 10 percent value is \$189,000
6 (sic), is what we believe that that would be for
7 that well. \$189.

8 MR. LAY: Clarify that --

9 A. \$189, sorry. It's .189 in dollars.

10 MR. LAY: I'm glad you clarified that.

11 A. Sorry. We also --

12 Q. I'm sorry to interrupt you,
13 Mr. Anderson, but the \$189 would represent the
14 royalty interests?

15 A. It represents the royalty interests if
16 he signed the lease on that .33 acres of what he
17 would receive at our best estimate over the next
18 75 years on a PV 10 discounted value.

19 MR. LAY: Okay.

20 A. We also made a second run. We assumed
21 that the lease would get to 12 1/2 percent --
22 their share of the 12 1/2 percent royalty into a
23 200 percent reversionary. What that means is
24 once we recoup 200 percent of the money we put

1 into the well that then they would turn into a
2 working owner at that point, that meaning the
3 royalty, and then they would also get their
4 working interests after.

5 That value, on a PV 10 value also, 75 years,
6 is \$369.

7 Q. So just for clarification, Mr. Anderson,
8 based on North Coast's economic analysis, the
9 value of the royalty interests owned by the
10 Clutters in the unit over the life of the well is
11 \$189; is that correct?

12 A. That's correct.

13 Q. And then you've calculated the value of
14 the working interests on the 200 percent carry
15 basis?

16 A. Yes.

17 Q. What was that number again?

18 A. \$369.

19 MR. DOLLISON: Thank you, Mr. Anderson.
20 No further questions at this time.

21 MR. LAY: Can I clarify, the second
22 number, your carry -- or the non-consent
23 provision, \$369, does that include both the
24 working interest and the royalty, or is that just

1 the working interest value?

2 MR. ANDERSON: That includes both the
3 workings and the royalties.

4 MR. LAY: Mr. and Mrs. Clutter, do you
5 have any questions of this particular witness?

6 MR. CLUTTER: No. I mean, \$189, 75
7 years, I don't think I've got another 75.

8 MR. LAY: I understand. Any questions
9 from members of the Commission? I've got a
10 couple questions I want to make sure that -- and
11 Brett, you probably have the answers to these.

12 I'm not sure which witness is the proper one,
13 Mr. Dollison, to answer the questions, but
14 without reading the order, do we have -- do the
15 locations conform to the spacing requirements
16 that were issued in the original order?

17 MR. PUSKAS: Yes, they do.

18 MR. LAY: And it's proper distance off
19 unit boundaries?

20 MR. PUSKAS: Yes.

21 MR. DOLLISON: If you want we can put
22 Mr. Puskas back on the record.

23 MR. LAY: As long as we know that they
24 do -- the requirements of the spacing as set up

1 in the original special field rules --

2 MR. PUSKAS: Yes, they do. It's in
3 excess of 3,000 feet from any other Oriskany or
4 proposed Oriskany location, and it's in excess of
5 1,000 feet from the unit boundary line.

6 MR. LAY: And the plat shows that?

7 The property or the location of the well and
8 the property of the Clutters, are there going to
9 be any surface operations whatsoever on the
10 Clutters' property?

11 MR. PUSKAS: No, there will not.

12 MR. LAY: No roads?

13 MR. PUSKAS: No.

14 MR. LAY: We have no issues with
15 distance from unit boundaries and we have no
16 spacing issues, we have no surface operation
17 issues. I have no further questions.

18 Brett, do you have any?

19 MR. LOFLIN: I have one question just to
20 clarify one statement, Mr. Puskas. The order
21 actually states that the wells shall be drilled
22 no closer than 2,000 feet, instead of 3,000. I
23 don't think it's all that relevant, but just to
24 clarify for the record.

1 My other question was, on your estimated
2 revenue to the Clutters, you had to have some
3 estimated production that you used, what was
4 that?

5 MR. ANDERSON: The estimated production
6 is to have ultimate reserve recoveries of 295
7 million cubic feet in the 75 years. Initial rate
8 was 2,657 a month, with an initial decline rate
9 of 74 percent at a 2.5 B factor, is how it's
10 described in engineering. I can quote the
11 volumes if need be.

12 MR. LOFLIN: No, that is satisfactory
13 for my interests.

14 Barry, that's all the questions I have.

15 MR. LAY: No other questions from
16 members of the Commission?

17 Nothing further from North Coast?

18 MR. DOLLISON: Nothing further,
19 Mr. Chairman.

20 MR. LAY: At this time, since you're not
21 represented by counsel, we will let you present
22 what you wish the Commission to hear on behalf of
23 yourself. And at that time then North Coast will
24 be able to ask you questions after you presented

1 what you want us to hear.

2 MR. DOLLISON: Mr. Chairman, pardon me
3 for interrupting, but perhaps it might be helpful
4 for you to just explain to the Clutters the
5 options that they have with regard to force
6 pooling. I'm not sure that they fully -- that
7 they understand that. It might be helpful before
8 they ask questions if they know how the statute
9 works and what their options are for today's
10 purposes.

11 MR. LAY: Let's go off the record for
12 that conversation.

13 (Discussion was held off the record.)

14 MR. LAY: Mr. and Mrs. Clutter, you're
15 welcome to present what you want us to hear.

16 MR. CLUTTER: I'm not leasing it and I'm
17 not -- you know, if they take it, they take it,
18 you know. I'm not leasing it. I'm not signing
19 nothing, because there is too many oil leases
20 that I've seen that's got run out roads and I
21 just don't want them on my property.

22 MR. LAY: You --

23 MR. CLUTTER: I'm not leasing it. If
24 there's a law that they can get it, I've done all

1 I can do, I've come down to listen.

2 MR. RADABUGH: From what I understand
3 they're not -- physically they're not going to be
4 on your property.

5 MR. CLUTTER: No, not now, but they
6 wanted the 49.6 acres to start with.

7 MR. LAY: Would you be interested in
8 leasing the .33 acres in this particular unit to
9 them?

10 MR. CLUTTER: Not now.

11 MR. LAY: Not now?

12 MR. CLUTTER: Not after what I've been
13 through for \$189, hell no, you know. For 75
14 years, no. Now, you guys do what you got to do.

15 MR. LAY: Mr. Dollison, do you have any
16 questions of Mr. and Mrs. Clutter?

17 MR. DOLLISON: I don't really have any
18 questions, Mr. Chairman.

19 MR. LAY: Questions from members of the
20 Commission? Staff?

21 MR. LOFLIN: No.

22 MR. LAY: The only thing that I want to
23 say, off the record we had a discussion of your
24 options based upon the existence of special field

1 rules in this area. You understand that
2 discussion?

3 MR. CLUTTER: Yeah.

4 MR. LAY: So you understand what your
5 options are?

6 MR. CLUTTER: Well, they're about the
7 same either way, about as broad as it is long.

8 MR. LAY: If there's no other questions
9 then we'll go off the record.

10 (Break.)

11 MR. LAY: Do we have a motion?

12 MR. RADABUGH: I'll make a motion. I
13 make a motion to grant the relief sought of force
14 pooling by North Coast Energy according to law,
15 Chapter 22, C9.

16 MR. GUM: And I'll second that motion.

17 MR. LAY: It's been properly moved and
18 seconded. Any further discussion? All those in
19 favor of the motion, aye.

20 THE COMMISSION: Aye.

21 MR. LAY: Opposed, nay.

22 The motion carries.

23 Through order of the Commission that we
24 grant the relief sought we would ask that counsel

1 for North Coast draft a proposed order and supply
2 it to staff for the pooling of the unit. Is
3 there anything that anyone would like to place of
4 record before I close the record?

5 MR. DOLLISON: No, Mr. Chairman. We
6 just want to confirm that the Exhibits 1 through
7 4 previously marked by North Coast Energy will be
8 admitted into the record.

9 MR. LAY: Yes. Would you please accept
10 those as part of the record. That being the
11 case, I'll close the record. Thank you.

12 (This hearing concluded at 11:30 a.m.)
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1 STATE OF WEST VIRGINIA,

2 COUNTY OF KANAWHA, to-wit:

3
4 I, James D. Nielsen, Court Reporter and a
5 notary public within and for the county and state
6 aforesaid, duly commissioned and qualified, do
7 hereby certify that the foregoing hearing of the
8 West Virginia Department of Environmental
9 Protection, Oil and Gas Conservation Commission,
10 was duly taken by and before me at the time and
11 place specified in the caption hereof.

12 I do further certify that the said hearing
13 was correctly taken by me in stenotype notes,
14 that the same were accurately written out in full
15 and reduced to typewriting; and that said
16 deposition is a true record of the hearing.

17 I do further certify that I am neither
18 attorney or counsel for, not related to or
19 employed by, any of the parties to the action in
20 which this hearing is taken, and further that I
21 am not a relative or employee of any attorney or
22 counsel employed by the parties hereto or
23 financially interested in this action.

24 My commission expires May 15, 2016.

Given under my hand this 21st day of October,
2006.

James D. Nielsen
Court Reporter/Notary Public

<p>*</p> <p>* (1:24)</p>	<p>anderson (2:17) (3:5) (5:4) (12:24) (13:5) (13:11) (13:13) (13:15) (14:18) (15:13) (16:7) (16:19) (17:2) (19:5)</p>
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